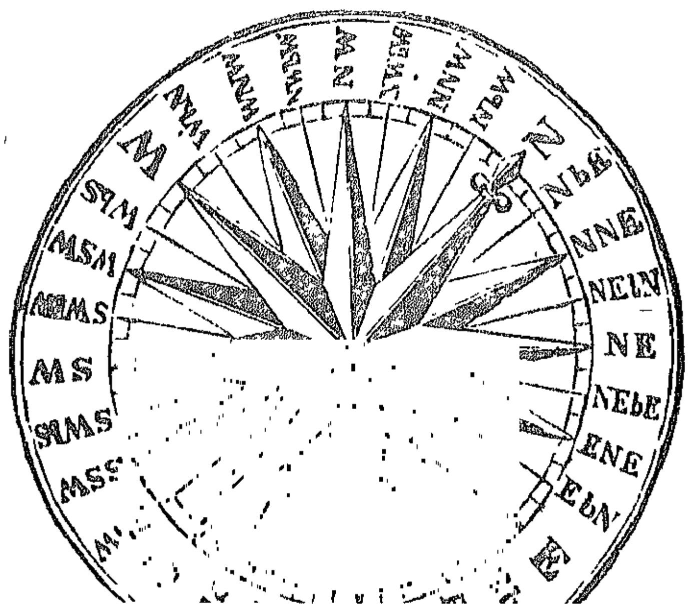
Maritime Subsidies 1978



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FOREWORD

This volume is intended to be a ready reference with information on the direct and indirect assistance that nations of the world offer to their merchant fleets. It is hoped that the information contained in this study will be both interesting and helpful to the shipping community.

This is the ninth publication that the Maritime Administration has released on the subject of maritime subsidies. The first two studies, released in 1958 and 1962, dealt with the subsidy programs of major maritime nations. The third, published in 1964, was prepared for the Joint Economic Committee of the Eighty-eighth Congress and covered eleven nations. Since then, more substantial volumes have been released, including a 1966 study of maritime subsidies in seventeen Western Hemisphere countries, a 1969 study that was concerned with 49 countries, a 1971 study covering 53 countries, a 1974 study covering 50 countries, and a 1976 study covering 43 countries. The present volume covers the subsidies and aids of 58 maritime nations.

It has been found that governments of nations possessing merchant fleets, whether state-owned or privately-owned, offer some form of special assistance to their maritime industries. The purposes of these aids have been to further the commercial and political interests of the world's nations. The great trading nations have developed huge merchant fleets that have an impact all over the world, and many developing nations are seeking, in various degrees, to follow suit. The issue of maritime subsidies and aids has come to the fore in several international bodies, and it is hoped that this volume, as a factual presentation, will aid their deliberations. The present study is intended as a comparison of the subsidies and aids that are offered by different countries, and which influence the competitive sphere in which their vessels must operate.

This study was prepared by Bruce H. Hendrickson, International Activities Specialist, under the direction of Reginald A. Bourdon, Director, Office of International Activities. He is indebted to the experts in the various governments who reviewed the draft and suggested revisions where needed.

INTRODUCTION

A national merchant fleet is believed to be of vital economic and security interest by many of the world's governments, and in order to ensure that these interests are upheld, many governments have developed myriad aids and subsidies in support of their merchant fleets.

The costs of developing and operating a merchant fleet vary tremendously from country to country. Where a nation will have an advantage concerning a particular cost factor that nation will probably be suffering from a disadvantage in another cost area. As a result, almost all of the nations included in this study provide some direct and/or indirect aids to their merchant fleets, as well as to their shipbuilding industries. These aids may include the following, although their forms vary:

- Operating subsidies
- Construction subsidies
- Trade-in allowances
- Official low-interest loans
- Interest subsidies
- Official loan guarantees
- Accelerated depreciation
- Tax-free reserve funds
- Duty-free imports of materials needed for ship construction
- Cargo preference schemes
- Cabotage restrictions

In addition to these direct and indirect aids many nations offer a wide variety of social, economic, and political assistance, such as:

- Schools for the training of merchant seamen.
- Hospital and medical care for merchant seamen.
- Social security family payments to seamen in addition to stated holiday or vacation payments.
- Laws requiring the construction of national flag ships only in domestic shipyards for operation in a nation's foreign and domestic trades.
- Laws specifying that materials and component parts for the construction of ships and their maintenance and repair, as well as for food, stores and supplies, be purchased domestically.

These types of assistance have not usually been included in this study since their impact upon competitive factors involving a nation's maritime activities varies so considerably and is so intertwined with other phases of a nation's social, economic, and political structure as to be extremely difficult to evaluate.

Of the nations that have merchant fleets 58 are included in this volume. Excluded, for the most part, are those countries: (1) whose fleets total less than 150,000 gross tons, and (2) whose maritime industries are controlled by centrally-planned economies, such as the Warsaw Pact nations, the Peoples Republic of China, Albania, Cuba, North Korea, and Yugoslavia.

Unless otherwise noted, all references to tonnage are deadweight tonnage.

All fleet size statistics are as of December 31, 1976, and are of vessels over 1,000 dwt. These statistics are derived from Merchant Fleets of the World, issued by the Maritime Administration's Division of Trade Studies and Statistics. Trade statistics are from the International Monetary Fund publication Direction of Trade-Annual 1977 and the GNP and GNP/capita figures are from the World Bank Atlas/1977. It was felt that taking these statistics from common sources would facilitate the comparision of countries.

Many governments have confirmed the respective information, however, responses from the following countries had not been received by the date of printing.

Argentina	Liberia	Philippines
Chile	Lebanon	Thailand
Egypt	Malaysia	United Arab Emirates
France	Mexico	Uruguay
Gabon	Morocco	Venezuela
Greece	Pakistan	
Iran	Panama	
Israel	Peru	

Participation in United States oceanborne foreign trade includes cargo carried in vessels of less than 1,000 gross tons and cargo carried in the trans-Great Lakes trade. Military shipments are not included.

In order to achieve accuracy, a thorough examination was made of official foreign and United States releases and publications and internationally-recognized technical journals and newspapers devoted to shipping and shipbuilding. Additionally, personal interviews and correspondence with United States and foreign government officials, were essential to the success and accuracy of the study.

ALGERIA, DEMOCRATIC AND POPULAR REPUBLIC OF

ECONOMIC BACKGROUND

Size of Fleet: 40 vessels of 773,000 dwt. tons.

Tankers :	35% of vessels; 79% of tonnage
Bulk Carriers:	8% of vessels; 5% of tonnage
Freighters :	57% of vessels; 16% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$4,972.3	$5,313.0
commodities :	oil, natural gas, wine, citrus fruits, vegetables	capital goods, semi-finished goods, foodstuffs
trade partners :	U.S., France, West Germany, Italy	France, U.S., Italy, West Germany

GNP (1975) : $13,680,000,000
GNP/capita (1975) : $870

Trade with the United States in 1976 represented 11.8% of Algeria's imports and 44.1% of Algeria's exports.

In 1976, 9.7 million tons of cargo were unloaded in Algerian ports and 46.3 million tons, including 43.3 million tons of crude oil, were shipped from Algeria's ports.

GOVERNMENT AIDS

Cargo Preference

Algeria reserves 50 percent of its oil and liquefied natural gas (LNG) exports for its own vessels.

Traffic between the ports of metropolitan France and Algerian ports is reserved for Algerian and French-flag vessels.

Agreements to divide cargo on either a 50/50 basis or on the UNCTAD 40:40:20 basis have been signed with France, U.S.S.R., Bulgaria, German Democratic Republic, Guinea, People's Republic of China and the Republic of Cape Verde.

ARGENTINA

ECONOMIC BACKGROUND

Size of Fleet: 159 vessels of 1,899,000 dwt. tons.

Tankers	:	31% of vessels; 43% of tonnage
Bulk Carriers	:	9% of vessels; 16% of tonnage
Freighters	:	55% of vessels; 40% of tonnage
Combination Carriers	:	5% of vessels; 1% of tonnage

Foreign Trade: (1976)

		exports	imports
value (million US$)	:	$3,916.0	$3,032.8
commodities	:	meat, grains, wool, hides, oil, fruits, vegetables	machinery, iron and steel products, pape petroleum products, chemical products
trade partners	:	Brazil, Italy, Netherlands, U.S., U.S.S.R., Japan	U.S., Brazil, West Germany, Japan
GNP (1975)	:	$39,330,000,000	
GNP/capita (1975)	:	$1,550	

In 1971, Argentine-flag vessels carried some 20 percent of the tonnage of Argentine oceanborne foreign trade (with ELMA carrying 78 percent of the value of the Argentine-flag carriage). The government is working to ensure the carriage of 50 percent of imports and 15 percent of exports in Argentine vessels. About 97.8 percent of Argentina's foreign trade is oceanborne. Beef has historically been one of Argentina's most important exports.

GOVERNMENT AIDS

Operating Subsidy or Aid

According to Article 13 of Law No. 20,447 of May 22, 1973, the Executive Branch is authorized to provide subsidies to state

fleets, for reasons of national interest, whenever it is necessary to meet a deficit due to freight market conditions.

National private owners may be extended the same regime, whenever their services are required by the government.

Construction Subsidy or Aid

Charges of various percentages are levied on the freight rates of imports and exports which are paid by all companies, both domestic and foreign. These funds are used to subsidize the construction, repair and conversion of ships in Argentine yards for national public services in the foreign and domestic fleets. Subsidy is granted to the shipyard when the ship meets national requirements, but is limited to the difference between the cost in an Argentine yard and the international cost. Benefits of this subsidy are applicable only to companies owned or controlled by resident Argentine citizens.

Tax Benefits

Empresa Lineas Maritimas Argentinas (ELMA) is exempt from all taxes, and the Income Tax Act establishes promotional regulations for private ship enterprises.

Loans and Interest on Loans

The National Fund for the Merchant Marine is the institution in charge of granting subsidies and loans for the naval industry; it does not contemplate concession of such an aid for the construction, modernization, extension or equipment of shipyards.

The amount of the loans may cover up to 90 percent of the total cost, and is repayable in up to 15 years. The interest rate is determined in each case by the Ministry of Public Works and Services but it is at all times rated on a promotional basis.

Cargo Preference/Bilateral Agreements

According to the 1973 Merchant Marine Law the Government of Argentina must approve all freight conference agreements which involve Argentina's overseas commerce. The law reaffirms Argentina's "right" to carry 50 percent of its water-borne

foreign trade. Any freight conference agreement which appears to place limitations on Argentine ships or assign a smaller than 50 percent share to Argentine ships will not be recognized by the government. The government reserves the right to deny port facilities to foreign ships which do not operate under approved agreements. In actuality, the new legislation adds little to the previous legislation, but instead acts as enforcement legislation, reinforcing the 50 percent provision. The new legislation also clarifies the financial aspects of the domestic provisions while making known the internal promotion mechanisms.

Two United States shipping companies have pooling agreements with Argentina covering the southbound movement of government-controlled cargoes.

Argentina has commercial agreements with Chile and the U.S.S.R. whereby the exchange of goods is to be divided in equal proportions between Argentine-flag ships and ships of these trading partners. In the case of a shortage of such ships, it is necessary to obtain a waiver for transport in third-flag carriers.

Argentina and the Peoples Republic of China have signed a bilateral shipping agreement providing for a 50:50 sharing of mutual maritime trade.

Government Ownership

The government owns the Empresa Lineas Maritimas Argentinas (ELMA), the principal company operating in international trade, as well as the major oil company, Yacimientos Petroliferos Fiscales (YPF), and one river fleet, all of which total about 48 percent of the merchant fleet. There are 5 privately owned shipping companies with more than 50,000 dwt. tons, and a few smaller ones.

Other

All imports to the Argentine Republic consigned to the National or Provincial Governments or Muncipalities, which have entered Argentina on a foreign flag vessel, will only be effected after the presentation, at the Custom House offices and/or reception offices of the "Certificate of Cargo Loaded on Foreign Flag Vessel--Law N. 18,250." In order to obtain

this certificate, the importer must submit an application in triplicate to the National Administration of Maritime Interests 30 days before cargo loading date which must contain the type of cargo, weight and/or volume, type of cargo packing, measure unit and quantity, country of foreign loading port, loading date, name and nationality of steamship line and unloading port.

ECONOMIC BACKGROUND

Size of Fleet: 85 vessels of 1,776,000 dwt. tons.

Tankers :	18% of vessels; 25% of tonnage
Bulk Carriers:	39% of vessels; 55% of tonnage
Freighters :	43% of vessels; 20% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$13,113	$11,182
commodities :	wool, meats, grains, minerals, coal, sugar	machinery and transport equipment, other manufactures, petroleum and petroleum products, chemicals
trade partners :	Japan, U.S., U.K.	Japan, U.S., U.K.
GNP (1975) :	$77,010,000,000	
GNP/capita (1975) :	$5,700	

With more than 12,000 miles of coastline, virtually every major Australian city is a seaport. Considerable port expansion is taking place throughout the country, with two new container terminals being built at Botany Bay, near the existing port of Sydney.

In 1976/77 Australian flag vessels carried 1.63% of Australia's ocean borne foreign trade (3.65% of imports and 1.29% of exports).

GOVERNMENT AIDS

Operating Subsidy or Aid

A subsidy arrangement to maintain freight rates at their 1974 levels on the Australian National Line's northbound general

cargo service from Tasmania to the Australian mainland applied from November 14, 1974. This arrangement was replaced by a scheme providing assistance direct to Tasmanian shippers on 1 July 1976.

The Australian Government provides a subsidy of $2 million per annum to the Australian National Line's passenger ferry "Empress of Australia" which operates in the Tasmanian passenger trade.

No other operating subsidies were provided by the Australian Government to shipowners as of December 31, 1976.

Construction Subsidy or Aid

The Australian Government provides a bounty for the construction of ships built in registered Australian shipyards for use in Australian waters, or as an Australian vessel for use in overseas trade.

A sliding scale of bounty up to a maximum of 31 percent (depending on size) of the cost of construction is currently granted for such ships. This maximum rate of bounty is being phased down on an annual basis so that by January 1, 1981, the rate of bounty will be 25 percent of the cost for vessels over 150 tons or fishing vessels greater than 21M in length. The bounty seeks to provide sufficient assistance to Australian shipyards to enable them to compete effectively with overseas shipyards in tendering for the construction of Australian flag vessels. The Ship Construction Bounty Act, under which bounty is paid, was introduced in June 1975.

The importation of vessels over 150 tons is prohibited except with the written permission of the Minister for Transport. Unless required for temporary use, approvals are generally given where Australian yards have been given the opportunity to tender bids and failed to do so, or where the price of the ship in an Australian yard, after payment of bounty, exceeds the construction price tendered by an overseas yard including delivery to Australia.

Vessels under 150 tons are dutiable at rates up to 26 percent.

There are no concessional credit facilities made available for the shipbuilding industry in Australia.

Custom Fees

Machinery and equipment used in the construction of new ships in Australian yards may, in some circumstances, be imported duty-free when equivalent goods are not reasonably available from Australian manufacturers.

Depreciation

For income tax purposes the present rate of depreciation for Australian general cargo ships is based on a 20-year life, and for bulk carriers, tankers, Ro/Ro and container ships on a 16-year life.

The owner may choose either straight-line or reducing balance method of depreciation. The rate of depreciation allowable under the reducing balance method is 1-1/2 times the percentage rate fixed by reference to the estimated life of the vessel.

If the vessel is sold for more than its depreciated value, the portion of the excess which represents depreciation previously allowed as a deduction is included in the owner's assessable income or, at the owner's option, offset against the cost of a replacement ship or other ships or depreciable items held by the owner for the purpose of determining the value of that ship or those items for depreciation purposes.

Investment Allowance

Plant ordered or contracted for between January 1, 1976, and June 30, 1978, will attract an investment allowance of 40 percent of the cost of the plant, provided that the plant is first used and installed ready for use by June 30, 1979. The allowance, combined with depreciation allowances, means total tax deductions equivalent to 140 percent of cost. For plant ordered or contracted for between July 1, 1978, and June 30, 1985, the investment allowance will be at the rate of 20 percent but the plant will need to be first used or installed ready for use by 1 July, 1986. The income tax deduction for the investment allowance will become available in the income year in which the plant is first used or installed ready for use. Capital expenditure on the purchase of a new ship would attract the investment allowance provided that the ship was to be used (wholly and exclusively) in Australia for the production of assessable income. A ship that sails between Australia and overseas ports would not meet this requirement.

Anticipated Depreciation

Depreciation is allowable in respect of plant on articles owned by a taxpayer and

(a) used by him during the year of income for the purpose of producing assessable income; or

(b) installed ready for use for that purpose and held in reserve by him.

The date from which depreciation of a new ship should commence, for income tax purposes, may vary according to the facts of each individual case. The 'hand-over' date would be appropiate if at that time the ship required no further fitting out in order to begin service and if the 'hand-over' point was at a port from which the ship would normally take on passengers or cargo. For example, a ship intended for an Australian coastal run would not be regarded as "installed ready for use" for the purpose of providing assessable income merely upon delivery at a foreign shipyard. It is considered that depreciation of such a ship would commence, for income tax purposes, when it reached the first port of its Australian run.

Cargo Preference and Cabotage

Australia's coastal trade is reserved for vessels licensed under the Australian Navigation Act; that is, those which comply with Australian standards of manning and accommodation and on which conditions and wages are made in accordance with Australian industrial awards.

Government Ownership

(a) Commonwealth

1. The Australian Shipping Commission, which was established in 1956, operates the Australian National Line, a Commonwealth-owned merchant shipping authority. Until 1969, the Australian National Line operated vessels principally in the Australian coastal trade. However, since 1969, the Line has developed services in international liner and bulk cargo trades. At December 31, 1976, the Line had eight ships operating overseas and 21 in coastal trading.

(At June 30, 1978, 10 Australian National Line ships were operating in overseas trades with a further two 120/139,000 t. dwt bulk carriers being prepared for international trade; and 18 ships in coastal trades.)

About 80 percent of the coastal cargoes carried by the Australian National Line are bulk items; principally iron ore and bauxite.

2. The Cockatoo Island Dockyard at Sydney is owned by the Commonwealth and is leased to Vickers Cockatoo Dockyard Pty Ltd. Work at this yard is confined mainly to naval vessels.

(b) State

1. The State Shipping Service of Western Australia operates a cargo service principally on the west coast of Australia with four vessels.

2. The Tasmanian Transport Commission operates one small vessel engaged in intrastate trading in Tasmania and between Tasmania and Victoria.

3. The State Dockyard at Newcastle, New South Wales, is involved in shipbuilding and ship repair activities. The Dockyard has a floating drydock which can accommodate vessels of up to 45,000 dwt for repairs.

Size of Fleet: 81 vessels of 2,275,000 dwt. tons.

Tankers	: 22% of vessels;	28% of tonnage
Bulk Carriers	: 31% of vessels;	52% of tonnage
Freighters	: 46% of vessels;	19% of tonnage
Combination Carriers	: 1% of vessels;	1% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$32,844	$35,389
commodities :	chemicals, textiles, diamonds, machinery, iron and steel products	grains, ores, petroleum, chemicals, diamonds, textiles, manufactures
trade partners :	West Germany, France, Netherlands, U.S., U.K.	West Germany, Netherlands, France, U.S., U.K.

GNP (1975) : $61,470,000,000
GNP/capita (1975) : $6,270

As of December 31, 1977, 23 vessels of 651,125 dwt. were on order or under construction to be put under Belgian-flag. About 72.6 percent of Belgium's oceanborne foreign trade moves through the Port of Antwerp, and approximately 4.5 percent of the cargo crossing Antwerp's docks is carried in Belgian-flag ships.

The Port of Antwerp handled 70,030,000 tons of cargo during 1977, of which some 4,878,000 was containerized. The Antwerp-Rotterdam crude petroleum pipeline had a flow of 27,200,000 tons in 1977. A new port on the left river bank of the River Scheldt is scheduled to be partly in operation by 1981 and will be designed for vessels up to 80,000 tons.

Tax Benefits

There are several measures which benefit Belgian shipping and shipbuilding:

1. Exempt from the "value added" tax are:

   - deliveries and imports of seagoing vessels and inland waterways ships, with the exception of yachts and pleasure boats;

   - services with regard to seagoing vessels or inland waterways ships, with the exception of yachts and pleasure boats;

   - deliveries to and importation by builders, owners or users of seagoing vessels or inland waterways ships, with the exception of yachts and pleasure boats, when not used for common transport, of:

     a) goods intended for construction, equipment, maintenance or repair of those vessels.

     b) supplies for seagoing vessels.

2. Exempt from import duty are goods intended for use in construction, reconstruction, equipment repair, or maintenance of ships as referred to in sections 89.01A and B1,89.02A and B1,89.03A of the tarriff Schedule of Import Duties. The ships referred to in those sections concern seagoing vessels and tugboats which are free from import duty according to the common customs tariff; for inland waterways ships other than tugboats, therefore, no exemption from import duty is granted.

Loans and Interest on Loans

The Belgian Government found it necessary to take legislative action to help rebuild the merchant fleet after the last war to aid in expanding foreign trade. Credit facilities, however, are not designed to bring shipbuilding or operating costs in line with foreign competitors.

The Act of August 23, 1948, amended, provides for credits to Belgian shipowners for building ships at home or abroad, or purchase abroad. The Minister responsible for shipping is authorized:

1. To advance interest-bearing loans to shipping companies

   a. For shipbuilding
   b. For renewing or developing maritime equipment (subject to relevant provisions of the Act). Loans cannot exceed 70 percent of the value, except by special authorization.

2. To guarantee reimbursement of principal, interest and other charges for the above loans for the purpose specified by Belgian credit institutions.

3. To grant recipients of above loans allowances not to exceed half of the interest payable to the credit institutions for such loans, such allowances not to exceed an interest rate of 3 percent on capital outstanding.

4. To grant repayable financial support, with or without interest, if approved by the Council of Ministers as being in the national interest, to shipping companies on their creation, or for their continued operation.

The annual amount of interest payments depends on the government participation in each credit operation and on the amount of credit involved. Such subsidies averaged $4,861,000 in 1976 and $8,425,700 in 1977.

Subsidies granted by the government for repayment of interest are financed by the ordinary budget.

The government also guarantees credits under Item 2 above. The only credit institutions authorized to finance these shipping credits are the "Societe Nationale de Credit a L'Industrie" and the "Caisse General d'Expargne". Credits granted by these institutions are financed by loans and by deposits of the Savings Bank.

The loan fund is financed by annual grants of the extraordinary budget. Loans are made available through a special fund which grants the loans on approval of the Minister of Communications.

Depreciation

Depreciation allowances on new ships are based on the following schedule:

First year	20%
Next two years, each	15%

Each succeeding year until full depreciation (8 years)	10%

Expenditures for modernization of existing ships or cost of major repairs and alterations on the acquistions of second-hand ships are subject to the same schedule of depreciation.

Ships which have previously been written off at amounts less than those allowed by the above schedule may be changed to the accelerated schedule and recover the difference, provided the total depreciation in any one period does not exceed 20 percent of the value to be written off in that period.

ECONOMIC BACKGROUND

Size of Fleet: 268 vessels of 5,205,000 dwt. tons.

Tankers	: 22% of vessels; 44% of tonnage
Bulk Carriers	: 14% of vessels; 30% of tonnage
Freighters	: 62% of vessels; 26% of tonnage
Combination Carriers	: 2% of vessels; 0% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$10,130	$13,505
commodities :	coffee, cocoa, sugar, iron ore, cotton, manufactures	petroleum, wheat, machinery, chemic
trade partners :	U.S., West Germany, Japan	U.S., Saudi Arabi Iraq, West German
GNP (1975) :	$110,130,000,000	
GNP/capita (1975) :	$1,030	

With a coastline of about 5,000 miles and with the current importance of foreign trade to the Brazilian economy, shipping is of major importance. Iron ore is shipped from the Port of Tubarao, which can accommodate ore carriers of up to 150,000 dwt. tons, however the Port of Santos is still Brazil's major seaport. Coffee accounts for about one-third of Brazil's export earnings.

In 1972, about 42 percent of the coffee exports were carried in Brazilian bottoms. In 1971, Brazilian-flags ships carried 21 percent of the country's oceanborne foreign trade, and it is provisionally estimated that this figure rose to 32.7 percent in 1972.

Brazilian shipbuilders received 120 orders during 1975 and have work reaching into 1982. The 5-year plan (1975-79) envisages building 150 units (5.1 million dwt.) for deep-sea navigation.

Operating Subsidy or Aid

There is no operating subsidy to private shipping companies. Almost 80 percent of the tonnage of the merchant fleet is government-owned. The principal company operating in foreign trade, Lloyd Brazileiro, has any residual operating losses covered by the government.

Construction Subsidy

Decree Law No. 60679 of May 3, 1967, created the Merchant Marine Refinancing Fund. This Fund is controlled and administered by the National Merchant Marine Superintendency (SUNAMAM) and will be used to finance the construction of cargo vessels for Brazilian shipping lines engaged in international trade.

Shipping lines which purchase vessels will repay the Fund within the terms to be specified. They will pay the equivalent of the price of ships produced in Western Europe. The difference between the Western European price and the higher Brazilian price will be absorbed by the Fund. In this way, the Fund will be partially replenished over the years, enabling it to continue as a source of financing for ship construction and repair.

In support of the action taken by the Merchant Marine Commission in 1958 to develop shipyards, the government agreed to assist the yards by purchasing stock, granting loans, deeding building sites, building access roads, and granting other benefits. These activities are continuing.

Customs Duties

On May 26, 1975, a decree law was signed exempting materials and equipment imported during the next 5 years for the shipbuilding program from import duties and manufactured goods tax.

Tax Benefits

Law 4,622 of May 3, 1965, as amended, exempts from import duties and from the consumption tax the importation of materials and equipment for shipbuilding. Also exempted are materials and equipment for the expansion of industries complimentary to the shipbuilding industry, such as the production of diesel

motors for electric power generators, and other material, according to projects approved by the Council of Industrial Development of the Ministry of Industry and Commerce.

The Merchant Marine Fund and Renovation Tax for the Merchant Marine was created in 1958, and in 1970 it was renamed "Freight Additional for Renewal of the Merchant Marine (AFRMM). Under actual conditions a tax of 20 percent, payable by cargo owners, is imposed on freights imported in international trade, and on coastwise freights. The money is earmarked for the purchase, construction and modernization of ships.

Loans and Interest on Loans

The government grants credits to Brazilian shipping lines of up to 85 percent of the ship's cost, at 8 percent, repayable over 15 years.

Cargo Preference/Cabotage/Bilateral Agreements

Under Decree Law 666, of July 2, 1969, all imports and exports in which the government provides financial assistance must be carried on Brazilian ships when available. However, this law provides for the waiver of cargo preference in the following instances:

1. Import or export cargoes obligatorily linked to transportation in Brazilian-flag ships, can be liberated in favor of the flag of the exporting or importing country by weight up to 50 percent of the total as long as the legislation of the buying or selling country concedes at least equal treatment in relation to Brazilian-flag ships.

2. In case there is no Brazilian-flag ship or flag ship of the importing or exporting country in position to take on the cargo, the Brazilian Superintendency of Merchant Marine can in its exclusive judgment, liberate the transportation (of the cargo) to a third flag ship specifically designated.

3. When the exportation or importation of merchandise subject to liberation is made to or from a country that is not served by ships of both the countries involved, the Brazilian Superintendency of Merchant Marine will effect prior liberation of the cargoes covered by this decree, designating the transporter.

The coastwise trade is reserved to national ships unless the public interest demands an increase of service which national vessels cannot supply. There are 16 coastal lines, of which 4 run between Brazil and Argentina.

The government has a monopoly on the transportation of petroleum and petroleum products, except for some small companies which were in operation when the monopoly law went into effect.

All imports of ordinary paper (excluding special paper and pulp) must be carried in Brazilian ships, but in trades where special arrangements are made, as in the case of the Equal Access Agreement between SUNAMAM and the U.S. Maritime Administration, the other national lines can also participate in this carriage.

According to SUNAMAM Resolution 3669 of April 24, 1970, up to 50 percent of all shipments of coffee and cocoa from Brazil to the United States may be carried in U.S. ships, with at least 50 percent in Brazilian ships. Brazil agreed to implement this on 40-40-20 basis (i.e., 40% Brazilian-flag ship, 40% U.S.-flag ships, and 20% third-flag ships). On June 1, 1971, this was changed to a 50-40-10 basis. On March 22, 1973, SUNAMAM Resolution 4231 cancelled this obligation concerning the East and Gulf Coasts of the United States, in view of the northbound pools between the lines serving this trade (40-40-20 basis).

Three United States shipping lines have sailing, pooling, and equal access agreements with Brazilian shipping lines.

SUNAMAM approves only those conferences of which C.N. Lloyd Brasileiro is a member. Foreign shipping companies cannot operate from Brazil unless they are members of a freight conference.

Since 1967 Brazil's legislation has called for the establishment of cargo quotas through pooling agreements aimed at achieving a 40 percent share for Brazilian carriers, 40 percent for national flag lines of its trading partners, and 20 percent for third flags.

Brazil has agreements with Argentina, Chile, Mexico, Peru, and Uruguay that divide the cargo carried between them on a 50/50 basis. An agreement with Algeria also divides cargo on a 50/50 basis except for petroleum and petroleum products.

Maritime agreements have also been signed with the U.S.S.R., Poland, Romania, and the German Democratic Republic.

Government Ownership

The government is by far the largest stockholder of Lloyd Brasileiro, and of the Vale do Rio Doce Nabegacao S.S. (DOCENAVE) (for coal and iron ore), as well as of the national tanker fleet, Frota Nacional de Petroleiros (FRONAPE).

Other

Incentives in the form of fiscal accounting measures are granted to exporters that utilize Brazilian flag vessels. These incentives are also granted to exporters using the vessels specified of U.S., Soviet and Algerian carriers.

ECONOMIC BACKGROUND

Size of Fleet: 70 vessels of 530,000 dwt. tons.

Tankers :	36% of vessels; 43% of tonnage
Bulk Carriers :	20% of vessels; 39% of tonnage
Freighters :	30% of vessels; 16% of tonnage
Combination Carriers:	14% of vessels; 2% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$40,252	$39,167
commodities :	road motor vehicles and parts, crude petroleum, wheat, natural gas, woodpulp, lumber, newsprint, minerals, machinery	road motor vehicles and parts, crude petroleum, machinery equipment and tools, foodstuffs, steel
trade partners :	U.S., Japan, U.K., West Germany	U.S., Japan, Venezuela, U.K.
GNP (1975) :	$158,100,000,000	
GNP/capita (1975) :	$6,930	

The majority of the vessels under Canadian flag are not involved in oceangoing foreign trade, but are utilized in domestic traffic and international trade through the St. Lawrence Seaway and across the Great Lakes. In 1976, Canadian flag vessels carried 29.8 percent of tonnage in Canadian international waterborne trade, including the Great Lakes; this participation amounted to 47.0 percent of inbound tonnage and 21.4 percent of outbound. Excluding trade with the United States, there is minimal - slightly above two-tenths of one percent - Canadian flag participation in transporting international cargo tonnage.

Canada divested itself of its deep-sea fleet shortly after World War II relying on competition amongst crosstraders to keep freight rates reasonable. Studies are now being undertaken on the need for a Canadian-flag deep-sea fleet.

Operating Subsidy or Aid

No operating subsidy is granted to ships in foreign trade.

Subsidies are confined to a very few ships operating on the essential coastal and inland waters, designed to provide services to communities which could not be served on a commercial basis. Before approving applications for new subsidies, Transport Canada makes a careful study of the applicant's financial statements and makes a complete investigation into the facts in order to satisfy itself that the services for which subsidies are requested are essential to the communities involved. Subsidies are only recommended on the grounds of public convenience or necessity, or in cases where the government is satisfied that the communications involved in the new service will promote trade and be of economic service to the community or the country at large.

Construction Subsidy or Aid

A new federal government shipbuilding assistance program which contains lower subsidies for Canadian builders was announced in the spring of 1975 by the Industry Minister. He also announced that the Export Development Corporation (EDC) will help finance $475m in new export sales by Canadian shipyards.

The new shipbuilding assistance program replaces two programs, including the Shipbuilding Temporary Assistance Programme, established in 1970, which provided a subsidy of 17 percent on vessels built for export. The other former program, the ship construction subsidy regulations, provided for a 35 percent subsidy for fishing vessels and 17 percent on other commercial vessels built for Canadian owners.

The new program provides a subsidy of 14 percent of the approved cost of a vessel built in Canada. Beginning in 1976, the subsidy will be reduced by 1 percent a year until diminished to 8 percent. The program also includes an incentive grant of up to 3 percent of the cost of eligible vessels, if the shipyards pay an equal amount to make their yards more modern.

Subsidies under the above program were increased from 12 percent to 20 percent for the period March 1977 through October 1978.

Export Credits

Canadian shipyards have available to them the services of the Export Development Corporation. This Corporation provides two types of financial support for exports. One consists of insurance of export credit normally provided by Canadian chartered banks on terms of up to five years duration, and the other of direct loans beyond five years. The purpose of these facilities is to enable exporters of capital equipment and related services to match credit facilities of major competitors when the terms required extend beyond those normally available from commercial sources.

Credit terms offered will not be better than 70 percent of the cost, nor exceed seven years, nor be less than 8 percent interest (net) except for genuine aid programs when more favorable terms might be required. These are the levels required by O.E.C.D.

Demolition and/or Modernization Subsidies

The Income Tax Act provides a tax deferral on insurance proceeds arising from the involuntary disposition of a vessel, provided these funds are reinvested in a replacement vessel.

Under a program instituted in 1976, money spent by shipbuilders on the modernization of equipment will be matched by the government up to a limit of 3 percent of the value of new construction.

Customs Duties

No customs duties are payable on ships imported into Canada to engage exclusively in international trade. Vessels constructed and registered in Commonwealth countries are free to engage in the Canadian coasting trade, with the exception of coasting trade within the Great Lakes and St. Lawrence River basin, which is restricted to vessels registered in Canada. Vessels of Commonwealth registry which were constructed in a non-Commonwealth country entitled to Most Favoured Nation tariff treatment, may engage in the coasting trade of Canada upon payment of a duty of 25 per cent. Vessels of registry other than Commonwealth are not normally entitled to engage in the coasting trade. There is, however, provision for the temporary use of non-Commonwealth registered ships in the coasting trade when a suitable Canadian vessel is not available. In such circumstances, the vessel is subject to the same duty prorated for each month in service in Canada.

Materials imported for the building of ships for export are duty free; for ships for the domestic market, duty is payable at the normal rate.

Depreciation

The first user of a Canadian built ship is permitted depreciation at 33-1/3 percent per annum on a straight-line basis. All other ships are eligible for depreciation at 15 percent per annum on a diminishing balance basis.

Cargo Preference and Cabotage

Effective January 1, 1966, traffic between Canadian ports located within the Great Lakes, their connecting tributary waters and the St. Lawrence River and its tributary waters as far seaward as a straight line drawn from Cap des Rosiers to Westpoint, Anticosti Island to the north shore of the St. Lawrence River along the meridian of longitude sixty-three degrees west (Havre St. Pierre), was restricted to Canadian-flag vessels, i.e., vessels registered in Canada, and either built in Canada or in the Commonwealth or fully duty paid.

In 1973 the Canadian Transport Minister announced a program to revise coasting trade legislation, as well as the partial withdrawal from the British Commonwealth Merchant Shipping Agreement. The affected Agreement provisions related to equivalent treatment of Commonwealth ships in the coasting trade of the various Commonwealth countries which allowed free access of Commonwealth vessels to Candian coasting trade. However, "grandfather rights" will be granted to Commonwealth ships already in the coasting trade and waivers will be granted to allow the use of foreign ships when Canadian ships are unavailable.

Government Ownership

There is no government ownership of the merchant fleet with the exception of 6 vessels on charter to private ferry operators. In all cases each of the operators is in receipt of a subsidy from Transport Canada.

CN Marine, a subsidiary of Canadian National Railways, operates government-owned vessels on the Atlantic coast in ferry services.

In each case the vessels are entrusted for operation and maintenance and title rests with the Federal Government.

Import Restrictions

A foreign-built vessel may, with the consent of the Minister of Transport, be registered in Canada without the payment of duty and taxes, but when so registered, can engage only in international trade.

Government Purchasing

Government contracts have generally been restricted to Canadian shipyards and, since 1965, have been awarded to the lowest qualified bidder (an exception was submarines built abroad).

Research Grants

All industries are entitled to aid under various general programs covering 50 percent of the cost approved research.

Other

Several of the major shipyards are subsidiaries of major shipping companies, and this has an affect in the placing of orders in the domestic market.

ECONOMIC BACKGROUND

Size of Fleet: 44 vessels of 611,000 dwt. tons.

Tankers	:	14% of vessels; 26% of tonnage
Bulk Carriers	:	14% of vessels; 23% of tonnage
Freighters	:	70% of vessels; 51% of tonnage
Combination Carriers	:	2% of vessels; 0% of tonnage

Foreign Trade: (1976)

		exports	imports
value (million US$)	:	$2,013.1	$1,737.9
commodities	:	copper, nitrates, iron, ore, fishmeal, paper products	machinery, vehicles, petroleum, cotton, grains, cattle
trade partners	:	U.S., Brazil, Japan, West Germany	U.S., Argentina, Peru, Brazil
GNP (1975)	:	$10,130,000,000	
GNP/capita (1975)	:	$990	

With almost all foreign trade moving by sea and with a coastline 2630 miles long, Chile has many seaports, of which Valpariso is the major port. Approximately 38 percent of Chile's imports move through Vaparaiso. Exports, mainly copper and other minerals, tend to move through the ports of Huasco, Tocopilla, Chanaral, and Coquimbo. Copper provides some 70 percent of Chile's foreign exchange earnings.

Chilean-flag vessels carried approximately 22 percent of Chile's imports and 40 percent of exports in 1970.

GOVERNMENT AIDS

Operating Subsidy or Aid

There is no direct subsidy to private shipping companies.

The annual losses of the government-owned Empresa Maritima del Estado are covered by the Treasury.

Tax Benefits

At least 20 percent of the new profits of domestic shipping enterprises must be placed in a special tax exempt fund for the purchase of new ships.

Domestic shipping enterprises, under certain conditions, can revalue annually their vessels and equipment up to the value of replacement cost for such vessels and equipment without incurring tax liability on the revaluation. This enables national carriers to reduce taxable income while increasing cash flow through increased depreciation charges.

Liquid fuel imported for use by vessels in the coasting trade is exempt from duties and all taxes.

Loans and Interest on Loans

The Empresa Maritima del Estado (EMPREMAR) amortized a 1965 German credit in the amount of $312,800 at 7 percent of annual interest. Repayment was due in 1968. The funds were used to purchase a new vessel.

Cargo Preference and Cabotage

All enterprises in which Government of Chile has ownership participation are required to ship via EMPREMAR whenever possible. To date this has not been implemented since EMPREMAR operates only in the coastwise service.

The government decreed in 1974 that only the country's own ships may carry freight to and from Chile. However, Decree Law signed December 23, 1975, provides that 50 percent of export cargo may be carried on ships of the flag of destination as long as that country recognizes an equal right for Chilean vessels. Pooling agreements are also permitted whereby a foreign line may become "associated" with a Chilean shipping company thus acquiring the right to participate in the transportation of goods.

New procedures for cargo allocation have been issued by the Ministry of Transport. Fifty percent of export cargo is reserved for Chilean flag vessels. Shippers are free to allocate the remaining fifty percent as they wish. Cargo originating from sporadic exporters will be allocated by the Central Bank and will be used to ensure a 50/50 balance.

Two United States shipping companies have pooling agreements with Compania Sudamericana de Vapores (CSAV) whereby these companies are considered as "associated" carriers and are able to compete for cargo in which they are interested on a basis comparable to that of CSAV.

Bilateral agreements provide that cargo moving between Chile and Argentina and Chile and Brazil shall be carried in equal portions by ships of the two countries when available.

Cargo moving in the coastwise trade is reserved to Chilean vessels. Foreign vessels are allowed to transport cargo in this trade only when Chilean vessels are not available. However, a Chile/Peru agreement gives each country's ships equal rights to the other's coastal trade.

Government Ownership

The government owns the Empresa Maritima del Estado. The company is authorized to operate in foreign trade should circumstances make it advisable, but so far it has limited its activities to domestic routes, and to a few trips abroad carrying livestock.

The government also owns about 25 to 30 percent of Compania Sudamericana de Vapores (CSAV).

Other

By Decree No. 179 of February 19, 1968, the Chilean Line receives a 20 percent advantage upon liquidation of foreign currency received from incomes in the transport of cargo and passengers to and from Chile and between foreign ports.

Port charges have been insufficient to cover costs and a subsidy from the fiscal budget is necessary to maintain port operations. Port rates are the same for all shipping and there is no discrimination in berthing.

CHINA (TAIWAN)

ECONOMIC BACKGROUND

Size of Fleet: 151 vessels of 2,22,000 dwt. tons.

Tankers	: 9% of vessels;	28% of tonnage
Bulk Carriers	: 21% of vessels;	37% of tonnage
Freighters	: 63% of vessels;	33% of tonnage
Combination Carriers	: 7% of vessels;	2% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$8,155.6	$7,608.6
commodities :	knitwear, textiles, footwear, wood, cork, bamboo, rattan products, fishery products, sugar, furniture, meat, farming products	crude oil, wheat, corn, beans, forest products, refined petroleum products, pulp, livestock products, dairy products, canned food, non-metallic mineral products, leather
trade partners :	U.S., Japan	Japan, U.S., Kuwait

GNP (1975) : $14,890,000,000
GNP/capita (1975) : $930

The government of the Republic of China intends to raise the capacity of the national fleet of merchant ships to a level of carrying 70% of bulk and 40% of miscellaneous imports and exports.

GOVERNMENT AIDS

Construction Subsidy or Aid

Construction subsidy is granted only in special cases, such as those national flag ships ordered from the domestic shipyard.

Other Aids

Shipments are planned under the supervision of the Ministry of Commerce with first priority being given to vessels built under the Measure for the Joint Development of Trading, Shipping and Shipbuilding. Second priority is given to ordinary vessels of ROC nationality and third priority to other vessels.

When shipping companies plan to build new vessels, they must first ask domestic shipping companies to build. If they are unable to undertake the construction, the shipowners may place orders with foreign shipyards, after gaining Ministry of Commerce approval.

High priority is given to the building of such vessels as container ships, multipurpose cargo ships, and special ships for carrying imported bulk grains and minerals. These vessels must carry the ROC flag, sail in lanes pertinent to the international trade of the ROC, and not be leased out, but run by the shipowner.

The domestic shipbuilding price under the measure cannot exceed 5% of the international price for similar vessels of the same type and function. The down payment must be 20% of the net shipbuilding price, before the ship is handed over to the shipowner; the period of installment payments is not less than 7 years.

COLOMBIA

ECONOMIC BACKGROUND

Size of Fleet: 35 vessels of 285,000 dwt. tons.

Tankers :	3% of vessels; 10% of tonnage
Bulk Carriers:	3% of vessels; 1% of tonnage
Freighters :	94% of vessels; 89% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$1,873.1	$1,774.4
commodities :	coffee, sugar, cotton, bananas, textiles, leathergoods, portland cement	chemicals, transportation and industrial equipment, iron and steel products
trade partners :	U.S., West Germany, Netherlands	U.S., Japan, West Germany

GNP (1975) :	$13,630,000,000
GNP/capita (1975) :	$580

Shipping is especially important to Colombia with its two coastlines and its large exports of coffee. Coffee supplies some 50-55 percent of foreign exchange earnings.

The Colombian-flag merchant fleet, Flota Mercante Grancolombiana, is an exercise in regional ownership. Colombia's National Federation of Coffee Growers controls approximately 80 percent of the ownership, with the remaining 20 percent controlled by the Development Bank of Ecuador. At one time the government of Venezuela also participated in Flota's ownership. Although there are no legal requirements in effect, imports for government or quasi-government agencies are generally carried by Flota. Close informal ties with the Colombian Government and publicity for the advantages of shipping via Flota account for the shipping line's strong position.

Tax Benefits

According to Law 10 of 1946, Flota Mercante Grancolombiana is exempt in Colombia from income tax and from capital tax.

Cargo Preference and Cabotage

Decree No. 1208 of July, 1969, states as follows:

Article 1. -. In order to effect Article 1 of Legislative Decree No. 994 of 1966, a reserve is made for Colombian-flag ships of no less than 50 percent of the general cargo of imports and exports on routes served by Colombian vessels, providing that the requirements of Article 2 of the same Legislative Decree are met.

The Colombian Government, after examining the capacity and speciality of the mentioned vessels through a study made by the Ministry of Development, the Merchant Fleet and a representative of the Colombian Shipowners, will establish a reserve of no more than 50 percent of Colombian-flag ships transporting bulk, liquid and refrigerated cargoes of imports and exports.

The reserved cargoes stipulated in this Article will be applied only if they are not in conflict with previous government obligations with regard to foreign loans.

Article 2. - The reserved cargoes could be included in the transportation treaties between Colombian shipowners and foreign maritime companies, in order to enlarge, integrate or consolidate the services and to reduce their costs.

The Latin American shipowners registered in the Latin American Association of Shipowners, could participate in the transportation of reserved cargoes under equal conditions as the Colombian ships, provided that equal treatment or its equivalents be given to Colombian ships in their respective countries.

Decree 616 of 1972 states:

"The Colombian reserve for Colombian flag vessels operates also for cargo with final destinations to Colombian free zones."

Coastal trade, which is insignificant in Colombia, is reserved to national flag carriers, in accordance with Decree No. 2349 of 1971, which states as follows:

Article 29. - The coastal trade can only be served by Colombian ships. In special circumstances the Direccion General Maritima y Portuaria may authorize this trade to non-Colombian flag vessels, chartered by Colombian ship-owners.

CYPRUS

ECONOMIC BACKGROUND

Size of Fleet: 535 vessels of 4,142,000 dwt. tons.

Tankers	:	7% of vessels; 15% of tonnage
Bulk Carriers	:	8% of vessels; 11% of tonnage
Freighters	:	84% of vessels; 73% of tonnage
Combination Carriers	:	1% of vessels; 1% of tonnage

Foreign Trade: (1976)

		exports	imports
value (million US$)	:	$253.25	$432.54
commodities	:	citrus fruits, wine, asbestos, potatoes, grapes	food, chemicals, machinery, petr manufactured pr
trade partners	:	U.K., West Germany, Lebanon, Syria, Saudi Arabia, Libya,	U.K., Italy, We Germany, France, U.S.

GNP (1975)	:	$780,000,000
GNP/capita (1975)	:	$1,240

Tax Benefits

Cyprus Law Number 47 of June 25, 1963, provides that no tax shall be charged, levied or collected from the income derived by the owner of a Cypriot ship from the operation of such ship for a period of 10 years from the date of the enactment of the law, and where the owner of the ship or ships is a corporation no tax shall be levied or collected from any dividend paid to the shareholders or members of such corporation out of any profits made from the operation of the ship or ships or out of the corporation share in the profits. This law has been extended until 1983.

ECONOMIC BACKGROUND

Size of Fleet: 357 vessels of 8,386,000 dwt. tons.

Tankers	:	20% of vessels; 63% of tonnage
Bulk Carriers	:	12% of vessels; 14% of tonnage
Freighters	:	66% of vessels; 22% of tonnage
Combination Carriers	:	2% of vessels; 1% of tonnage

Foreign Trade: (1976)

		exports	imports
value (million US$)	:	$9,113	$12,419
commodities	:	meat and meat products, machinery, chemicals and plastics, dairy products, ships	machinery, transport equipment, chemicals and plastics, oil-seeds, food stuffs
trade partners	:	U.K., Sweden, West Germany, Norway, U.S., Netherlands	West Germany, Sweden, U.K., Norway, Netherlands, U.S.
GNP (1975)	:	$34,450,000,000	
GNP/capita (1975)	:	$6,810	

Almost entirely surrounded by water and possessing a coastline of some 4,600 miles, Denmark has major interest in both shipping and shipbuilding. About 90 percent of the earnings of the Danish merchant fleet is derived from trade exclusively between non-Danish ports. In 1977 Danish vessels engaged in external trade (non-coastwise) contributed about 9.3 percent of the total foreign exchange earnings. In 1976, Danish-flag vessels carried 10.6 percent of Denmark's oceanborne foreign trade (6.7 percent of Danish imports and 15.8 percent of Danish exports).

GOVERNMENT AIDS

Tax Exemption

All ships of 20 grt. or more are exempt from added value tax, whether imported or Danish built.

Ship Credit

The Ship Credit Fund of Denmark, an independent institution approved by the Ministry of Commerce, grants loans for the construction of vessels for Danish owners at Danish or foreign shipyards and for foreign owners at Danish yards. The Fund may also finance purchases by Danish owners of ships of fairly recent construction.

Loans may not exceed 50 percent of the value of the vessels unless supported by supplementary security. For ships built at Danish yards for Danish or foreign owners loans may be granted at special terms according to the OECD Understanding on Export Credit for ships (i.e., maximum credit to 70 percent repaid in equal yearly or semi-yearly installments in a maximum of 7 years from the date of delivery, to an effective interest rate of not less than 8 percent per annum).

As an aid to operators of small ships in the coastal service, the Danish Government, pursuant to the act of December 17, 1976, grants guarantees, up to $9.75 million per year, for the construction or conversion of freighters of 500 gross tons or under.

Deferral of interest may be granted in individual cases.

From October 7, 1977 Danish shipowners are permitted credits of 80 percent of the construction costs at an 8 percent interest rate over a 10 year period for orders placed at Danish yards. Danish owners also receive supplementary credit covering the difference between standard OECD credit terms and the new Danish terms when ordering from other shipyards within the European Community.

To Further aid its shipbuilding industry, the Danish government has ordered a number of vessels worth a total of approximately $120 million.

Depreciation

According to Acts No. 557 of November 17, 1976; No. 469 of September 17, 1977; and No. 604 of December 14, 1977 for ships whose cost exceeds $35,300, advance depreciation cannot exceed 30 percent of the cost. It may be apportioned over the years between the signing of the contract and delivery of the ships, but not more than 15 percent is chargeable to a single year (e.g., 15 percent per year for 2 years).

Export Credit Insurance

Danish Export Credit Insurance is based on commercial insurance principles. Export credit is voluntary and no lower limit is set for such insurance. Premiums for insurance vary between 0.125 and 0.25 percent per annum of the outstanding debt and 0.3 percent per annum of outstanding debt for political risks.

Cargo Preference and Cabotage

Effective July 31, 1973, any sea transport of goods from Denmark to Greenland requires a permit from the Minister of Greenland. Exempt from this requirement are Danish Government institution ships, and transport by sea of goods required for the operation of the Danish-American defense areas.

Government Ownership

Government owned and operated vessels are confined essentially to ferries serving internal routes and routes between Denmark and Sweden or Germany, and to vessels operated by the Greenland Trade Department.

Contribution to Research

Financial support amounting to about $0.15 million per annum is given by the government to institutions engaged in shipbuilding research.

ECUADOR

ECONOMIC BACKGROUND

Size of Fleet: 19 vessels of 247,000 dwt. tons.

Tankers :	58% of vessels; 73% of tonnage
Bulk Carriers:	0% of vessels; 0% of tonnage
Freighters :	42% of vessels; 27% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$1,229.2	$1,088.5
commodities :	petroleum, bananas, coffee, cocoa, sugar, fish products	agricultural and industrial machin wheat, petroleum products, chemica products, transpo ation and communi cation equipment
trade partners :	U.S., Panama, Chile, Peru	U.S., Japan, West Germany, U.K.
GNP (1975) :	$4,180,000,000	
GNP/capita (1975) :	$590	

TRANSNAVE is the National flag line of Ecuador. It is a government entity which has an "independent" Board of Directors responsible to the Commander of the Navy.

Cargo Preference

The Government of Ecuador reserves the right to carry 50 percent of all cargoes imported to or exported from Ecuador by the Law of Cargo Reservation of 1970. This law has been implemented through Decree Number 416 of May 31, 1972 which establishes the following percentages of reservation: general cargo, 50%; refrigerated cargo, chilled or frozen, 20%; bulk cargo, solid or liquid (excluding petroleum), 30%; and petroleum and petroleum products, 50%.

All imports and exports which are the property of the government or its enterprises, or of public entities or private institutions which are intended for social or public purposes, as well as cargo belonging to mixed companies in which the government owns more than 50% of the capital are obliged to be transported in vessels owned by national shipping companies or by those which the Cargo Reserve Law considers as such. Fifty percent of the cargo may be transported on vessels of the importing or exporting country provided it is done on the basis of reciprocity.

All coastal and river traffic is exclusively reserved for Ecuadorian flag ships or vessels chartered by private or state national shipping lines.

Colombian flag vessels are also considered to be Ecuadorian flag vessels for the purposes of cargo preference as are foreign lines that have pooling arrangements with Ecuadorian flag shipping companies.

In trade with the United States a foreign line must belong to a conference which serves the West Coast of the South Pacific.

ECONOMIC BACKGROUND

Size of Fleet: 66 vessels of 467,000 dwt. tons.

Tankers :	17% of vessels; 42% of tonnage
Bulk Carriers :	0% of vessels; 0% of tonnage
Freighters :	73% of vessels; 49% of tonnage
Combination Carriers:	10% of vessels; 9% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$2,285.7	$4,983.7
commodities :	raw cotton, rice, cotton yarns and textiles	wheat, chemicals, iron and steel products, oils and fats
trade partners :	U.S.S.R., Italy, Czechoslovakia, U.S.	U.S. West Germany, Japan, U.K.
GNP (1975) :	$9,540,000,000	
GNP/capita (1975) :	$260	

In 1975 the government announced plans for a substantial expansion of the country's merchant marine. Shipbuilding facilities are also being increased, and the principal organization, Alexandria Shipyards, is expected to deliver to the Egyptian Navigation Company some 30 dry cargo vessels between now and 1980.

The Ministry of Transport reported that in 1972 Egyptian-flag ships carried only 5.4 percent of the country's total trade. About 70 percent of the tonnage moves through Alexandria.

The Ministry of Transport's Five-Year Plan (1976-80) calls for the construction of 65 vessels including five tankers and three passenger ships. The contract for the construction of eight general cargo vessels has already been awarded to the Alexandria Shipyard Company.

GOVERNMENT AIDS

Cargo Preference/Bilateral Agreements

Egypt's Council of State recently issued a ruling through the Supreme Administrative Court in Cairo to the effect that in the future all seaborne shipments entering or leaving Egypt on the business of the Arab Republic of Egypt, her public institutions, organizations and their affiliates, must be arranged and supervised by the Egyptian Company for Maritime Transport or the foreign agents of this company.

Article I of Ministerial Decree 221 of 1974 requires all organizations in which the Government of Egypt has 25% or more interest to give priority to shippers in the following order: Egyptian Merchant Marine fleet (nationalized shipping companies), Alexandria Shipping and Navigation Company, and any other Egyptian-flag vessel.

Tax Incentives

Joint ventures in the marine transport industry are encouraged under law 43 by according such ventures tax free operation for the first 5-8 years and other fringe benefits.

Government Ownership

The government owns the Egyptian Navigation Company and the Petroleum Organization of Egypt.

ECONOMIC BACKGROUND

Size of Fleet: 192 vessels of 3,185,000 dwt. tons

Tankers	: 26% of vessels; 62% of tonnage
Bulk Carriers	: 15% of vessels; 19% of tonnage
Freighters	: 55% of vessels; 18% of tonnage
Combination Carriers	: 4% of vessels; 1% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$6,367.0	$7,423.8
commodities :	paper industry products, wood industry products, metal and engineering products	raw materials, fuels and lubricants, consumer goods, passenger cars
trade partners :	U.S.S.R., Sweden, U.K., West Germany, Norway, U.S.	U.S.S.R., West Germany, Sweden, U.K., U.S.

GNP (1975)	: $26,520,000,000
GNP/capita (1975)	: $5,620

Shipbuilding is one of Finland's major industries and about 90 percent of deliveries are exported. Finnish yards specialize in all types of specialized ships such as ice-breakers, ro-ro ships, luxury passenger vessels, and LNG carriers.

The majority of the Finnish merchant fleet is engaged in transporting freight to or from Finnish ports. Dry cargo ships sail mainly as freight liners or in a passenger-freight traffic.

In May 1977, Finland signed a long-term economic treaty with the U.S.S.R. Ships, ship equipment, and ship repair work account for over ten percent of the projected trade.

Finnish-flag ships carried 44.0 percent of Finland's oceanborne trade in 1975 (42.6 percent of imports and 40.2 percent of exports).

GOVERNMENT AIDS

Operating Subsidy or Aid

There is no operating subsidy or aid.

Construction Subsidy or Aid

The State Guarantee Board may provide guarantees for the acquisition of new and less than ten years old second-hand ships. The agreed amount of guarantees may not exceed $200,000,000. The proportions of the guarantee in the case of each shipowner have been specified.

Export Credit for Ships

As in other member countries of the Organization for Economic Cooperation and Development, the government agency, the Export Guarantee Board, insures against political and commercial risks, and the government-controlled Finnish Export Credit Ltd., offers credit terms of up to 70 percent of the cost of the ship, repayable in 7 years, with a minimum interest rate of 8 percent.

Tax Benefits

Vessels which are exempt from customs duty are also exempt from the turnover tax. Also exempt from taxation are any alteration, cleaning, repair, reconditioning and installation operations performed on such vessels as well as any item used for the work or mounted on the vessel in connection with the work.

The Act of Tax Allowances for the Promotion of Production and Exports of Shipbuilding and Other Metal Industries of 1956 (Amended 1970) provides that the interest revenue accrued on the basis of supplier credit granted for a period of at least twelve months is not considered taxable income in Finland. The Act has been applied to contracts concluded before the end of 1970. (That part of the interest revenue which annually exceeds 4 percent is not tax free.)

Customs Duty

Customs duty exemption or rebate is granted for imported materials and parts used for vessels over 10 metres long. Goods exempt from customs duty are also exempt from turnover tax.

Cargo Preference

Coastwise trade is reserved for national flag ships.

Government Ownership

The Finnish Government has a small interest in Finnlines Ltd., and owns several non-merchant type ships such as ice-breakers and survey ships.

The government has the controlling interest in Valmet Oy., which is one of the country's most important producers of ships and machinery.

Contributions to Research

Government grants, based on a research contract concluded between the government and the firm or laboratory and relates to a particular research project, can amount to fifty percent of the direct costs of a project. Research and Development projects related to ships received approximately 2 percent of the contributions between 1970 and 1974.

FRANCE

ECONOMIC BACKGROUND

Size of Fleet: 458 vessels of 20,394,000 dwt. tons.

Tankers	:	34% of vessels; 75% of tonnage
Bulk Carriers	:	13% of vessels; 14% of tonnage
Freighters	:	52% of vessels; 11% of tonnage
Combination Carriers	:	1% of vessels; 0% of tonnage

Foreign Trade: (1976)

		exports	imports
value (million US$)	:	$57,151	$64,388
commodities	:	machinery, foodstuffs, chemicals, transport equipment, steel	machinery, foodstuff chemicals, petroleum transport equipment
trade partners	:	West Germany, Belgium, U.K., Switzerland, U.S.	West Germany, Belgiu Italy, U.S., Saudi Arabia, Netherlands, U.K.

GNP (1975)	:	$314,080,000,000
GNP/capita (1975)	:	$5,950

The major French shipyards are in Saint-Nazaire, La Ciotat and Dunkirk. Saint-Nazaire is the most important European shipyard and is capable of handling vessels up to 560,000 dwt. tons.

In 1974, vessels of French registry carried 29.2 percent of French oceanborne imports and 22.6 percent of exports.

During 1975, French ports handled some 267.1 mn. tons of cargo. Marseille accounted for 97.8 mn. tons; Le Havre handled 72.0 mn. tons; Dunkirk, 29.9 mn. tons; Rouen, 12.8 mn. tons; Saint Nazaire handled 12.4 mn. tons and Bordeauz, 11.2 mn. tons.

During 1975 it was decided to put into effect the "Plan de Croissance", a general plan for the period 1976 to 1980, which aims to increase the merchant fleet to 18 million gross tons, and covers 160 vessels. The present emphasis is on expanding the container vessel and ro-ro fleet.

During 1978 the Ministry of Transport was reorganized. The Direction Generale de la Marine Marchande now has the responsibility for all maritime activities of the Ministry, including ports and maritime navigation, maritime fishing and merchant marine (naval construction and repair, seaman work statistics and retirement). However, the responsibility for inland waterways now belongs to a new Direction Generale de Transports Interieurs along with highways, land transportation and a service for economic analysis.

GOVERNMENT AIDS

Operating Subsidy or Aid

1. Subsidies to semi-public companies: pursuant to the conventions approved by the law of February 28, 1948, amended, subsidy is allocated annually in the budget appropriations to the "national interest" services (mail and general interest) operated by the Compagnie Generale Maritime1/ (French Line Services). The maximum allowable operating subsidy is determined periodically by additional clauses to the conventions. Payments are for services the companies have undertaken in the national interest2/ according to specifications set forth in the conventions.

1/ Its passenger ships are subsidized on the following routes: LeHavre-New York; LeHavre-West Indies; Marseille, Nice-Corsica, and North Africa.

2/ The services in the national interest consist of the carriage of passengers, mail, and parcels on passenger liners on specific routes that are not usually economically beneficial to the company which would not provide the service unless subsidized.

The major French companies have two types of operations: "contractual lines" and "free lines". Contractual lines are subsidized and consist of the operation of passenger ships between specific ports, e.g., LeHavre-New York. Free lines are nonsubsidized and consist of the operation of cargo ships on their regular trade routes. If the profit from the "free lines" is sufficiently high (no set figure, but a complicated formula is used, which is not obtainable), then subsidy is not paid for the "contractual lines." This rarely happens. In fact, most contractual lines were suppressed between 1969 and 1972 for budgeting reasons.

2. In November 1974 the French Government accepted a plan to subsidize the merchant fleet with $222 million over the next five years, hoping to encourage shipowners to invest $5.6 billion and double their fleets.

Construction Subsidy or Aid

A French cabinet decision of 15 December 1976 approved the intent of anti-recession aids to shipbuilding that include a ten percent export building subsidy for France's small yards. A government decree states that only when a price difference of ten percent existed could French orders be placed abroad.

Subsidies, based on a percentage of the initial contract price, are granted shipowners that order vessels for French registry between January 1976 and December 1980. These subsidies vary according to type of vessel as follows:

- Containerships, barge carriers, and roll-on, roll-off (ro-ro) vessels 15%
- Vessels of several decks 10%
- Bulk carriers-single decks; chemical parcel carriers and dry bulk parcel carriers; the smallest receiving the largest subsidy 2 to 8%
- Small tankers and small petroleum product carriers 3%

Direct subsidies are available for domestic and ships for export provided the five largest shipyards restructure themselves into two major groups. The subsidies are based on a percentage of cost as follows:

- Roll-on, roll-off (ro-ro) vessels and bulk carriers 25%
- Containerships and heavy-lift ships 20%
- Gas carriers 15%

Inflation Insurance

The Ministry of Transport administers a program that guarantees increases in shipbuilding costs that exceed a set threshold (currently 7.3 percent).

Modernization Subsidies

Investment subsidies are available to owners on certain conditions for the modernization of cargo liners wherever built. Equipment grants are payable during the period of the Seventh Plan (1976-80) at rates varying from 2 to 15 percent of the contract price, depending on the type of ship and totalling not more than $222 million. Passenger ships and long-range tankers do not qualify for these grants.

Ship Export Credits

The private banks, supported by offical institutions, grant export credits. A guarantee from COFACE is necessary for credits of more than two years.

According to an O.E.C.D. agreement, the duration of the loans cannot exceed 7 years. The loans cannot exceed 70 percent of the cost and the rate of interest cannot be less than 8 percent, including all fees.

Tax Benefits and Custom Duties

As of July 1, 1968, all materials and equipment used in the construction, repair, reconversion and maintenance of naval, merchant and specialized types of ships (tugs, dredges and drydocks among others) will be admitted into France free of custom duties, regardless of the flag of registry.

Since January 1, 1968, ship sales are exempt from value added tax in every case; sales to foreign owners benefit from the general exemption for exports, and sales to French owners are treated as exports.

Depreciation

The law of December 28, 1959, effective January 1, 1960, instituted a reducing depreciation system which replaced the previous accelerated system3/ for a firm choosing to use this newer system.

Capital goods purchased or manufactured on or after January 1, 1960, may qualify either for a straight-line depreciation or for reducing depreciation.

3/ Accelerated system: A maximum of half the accounting value of the ship may be amortized in the first 3 years, one-forth in the next 2 years, and one-fourth in the last 3 years.

The total allowance cannot be greater than that granted to any other industry or society in the amortization of whatever capital they have in their business. This has been done since the maritime industries were integrated into the law of July 12, 1965, which applied to every business in general.

Cargo Preference and Cabotage

According to a decree of April 1931, as amended in August 1970, two-thirds of the crude oil imported for internal consumption must be carried in French ships or in ships of which the charter parties have been approved by the Ministries concerned (i.e., Ministry of Fuel and Ministry of Transport (Merchant Marine)). The French Law of 30 October 1935 specifies that fifty percent of French coal imports be carried on French-flag vessels. However, waivers are frequently granted.

French flag ships have a monopoly on coastwise traffic in metropolitan France; they also have a "de facto" monopoly on traffic between ports of the French Departments of La Guyane, La Guadeloupe and La Martinique, and between ports of the same overseas departments. Traffic between ports of metropolitan France and Tunisian ports is reserved jointly to French and Tunisian-flag ships; it is the same for traffic between metropolitan France and Algerian ports according to recent agreements. Traffic between France and the so-called ex-French territories is not reserved to French-flag ships.

The government has statutory authority to restrict the freedom of French shipowners to charter their own and/or foreign ships. These laws require that the chartering of all ships over 500 gross tons be reported to the government, and the government may offer opposition to the chartering only on grounds of national interest.

There is a practice, dating from 1610, of the use of a "Courtier Maritime" (maritime broker).4/

4/ The "Courtier Maritime" is an officer of the government, appointed by due process of law and as such he is entrusted the duty of performing the necessary formalities (maritime) required by French customs. His fee is set by the government based on a pre-calculated scale. But over and above his official duties he may, upon request, be authorized to act as an independent agent in the commercial maritime brokerage business for which he may charge a fee or percentage based on tonnage loaded or unloaded as would any other broker or forwarder professionally engaged in this field.

The intervention of the "Courtier Maritime" (Maritime Broker) is not obligatory. The owner and/or captain of the foreign vessel, if either speaks and reads French, or the consignee/forwarder may and can attend to all customs formalities. It is only when they do not themselves attend to such matters that, for their own protection mainly, they must utilize the services of French accredited brokers. This service is officially recognized by the French Government and must meet and conform to government standards and requirements.

France has signed an agreement with the Ivory Coast dividing bilateral cargo on a 40:40:20 basis.

Government Ownership

The government owns the principal shares in the largest shipping company[5], the Compagnie Generale Maritime (French Line Services), a company formed by the consolidation of the Compagnie Generale Transatlantique and the Compagnie des Messageries Maritimes.

In 1969 the French Line and the Compagnie De Navigation Mixte pooled their activities in the Mediterranean and formed a new shipping line, the Compagnie General Transmediterraneenne.

A decree of February 26, 1974, approved the creation of a partly (17 percent) state-owned company, Societe Francaise d'Etudes et de Realisations Maritimes, Portuaires et Navales, in order to promote and to spread abroad French methods and techniques in the fields of sea transport, shipbuilding, ship-repairing and port industries.

Reimbursement of part-cost pursuant to Article 79:

The government decided in 1966 to reimburse shipowners of part-cost incurred pursuant to Article 79, Title "Accidents and Illness Occurring on Board or in Course of Embarking." These costs are peculiar to French shipowners, and they constitute one of the elements of their handicap with regard to foreign shipowners. The decision to reimburse part of these costs has the same motivation as the decision concerning the allowance for compensatory subsidies.

5/ Frequently a profit is realized from the cargo service (free lines), but the profit is often offset by losses in the passenger service (contractual lines). If the company does not make an overall profit, the government makes up any loss sustained, with a sufficient amount over to pay a small dividend to the public stockholders.

The government's interest in owning so large a part of this company is consistent with French policy of a certain amount of state control in those industries which are in national interest; e.g., shipping, railroads, electricity, gas, and coal.

Other

The French government supports a program for the conversion of shipyards and retraining of shipyard employees to other industrial activities. Investment grants of up to 20 percent of the cost of equipment have been available for the converting of small- and medium-sized shipyards since the Decree of 27 October 1960.

ECONOMIC BACKGROUND

Size of Fleet: 5 vessels of 183,000 dwt. tons.

Tankers :	20% of vessels; 76% of tonnage
Bulk Carriers:	20% of vessels; 9% of tonnage
Freighters :	60% of vessels; 15% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$1,191.2	$701.0
commodities :	petroleum, wood and wood products, minerals	mining and roadbuilding machinery, electrical equipment, transport vehicles, foodstuffs, textiles
trade partners :	France, U.S., Netherlands, Brazil	France
GNP (1975) :	$1,360,000,000	
GNP/capita (1975) :	$2,540	

Libreville, Port-Gentil and Ownedo are Gabon's three major ports.

Cargo Preference

A government decree signed on 7 September 1978 confirms the division of cargo using UNCTAD's 40:40:20 formula, with the qualification that government and quasi-government cargo be expressly reserved for Gabonese-flag vessels.

Government Ownership

SONATRAM (Societe Nationale des Transports Maritime) is the state-owned shipping line.

ECONOMIC BACKGROUND

Size of Fleet: 633 vessels of 14,871,000 dwt. tons.

Tankers	:	14% of vessels; 47% of tonnage
Bulk Carriers	:	12% of vessels; 27% of tonnage
Freighters	:	73% of vessels; 26% of tonnage
Combination Carriers	:	1% of vessels; 0% of tonnage

Foreign Trade: (1976)

		exports	imports
value (million US$)	:	$101,933	$88,140
commodities	:	machinery, transport equipment, chemicals, electrical equipment, metal products	petroleum, machinery textiles, chemicals, transport equipment, ores
trade partners	:	France, Netherlands, Belgium, Italy, U.S., Austria	Netherlands, France, Belgium, Italy, U.S.

GNP (1975)	:	$412,480,000,000
GNP/captia (1975)	:	$6,670

The West German merchant fleet is eleventh in size of the world's fleet. It is an overwhelmingly modern fleet with 86 percent of the registered tonnage less than 10 years old.

West German ports are being enlarged and new container terminals are being built at Hamburg and Bremen. The Ports of Bremen and Bremerhaven handled 2,925,772 tons1/ of containerized cargo in 1976, and Hamburg handled 2,922,471, tons2/ of containerized cargo.

1/ weight of container not included.

2/ weight of container not included.

More than half of West Germany's oceanborne foreign commerce (which is about 54% of the total foreign commerce) goes through the ports of neighboring countries (ports at the mouth of the Rhine River and on the Mediterranean Sea). Approximately 17% of the oceanborne foreign trade being shipped through ports of the Federal Republic of Germany (including transit) is carried on German flag vessels.

GOVERNMENT AID

Construction subsidies

Under the "Principles for Promotion of the German Merchant Marine" (German Federal Register No. 94, May 20, 1965) ship construction loans and ship construction subsidies may be granted to German owners ordering ships from German or foreign shipyards. At present only ship construction subsidies will be granted.

The amount of subsidies could have covered up to 10 percent of the cost of the vessel in the years from 1965 to 1974 and 12.5 percent in 1975 and 1976. In 1977, the construction grant level has been raised up to 17.5 percent (5 percent special subsidy granted in addition to the 12.5 percent construction subsidy). The aggregate subsidies may not surpass a maximum amount as allocated by the government each year. In the 1978 budget this maximum amount is totalling $120 million.

The ships subsidized by funds out of the Federal Budget must be operated in international traffic, have to be in the German registry and have to fly the German flag. Subsidies are to be re-paid to the Government in full, if the ship is sold within six years of being delivered (this period is reduced to four years for ships subsidized in 1977 and later). The refund declines 20 percent each year thereafter and is payable at the date the ship's sale contract becomes effective.

The subsidies, which are granted by the Ministry of Transport, are primarily oriented toward the goals of modernizing the fleet in order to increase its competitiveness in international shipping. In the second place, those subsidies are meant to ease the employment situation in German shipyards.

Loans for Shipowners

As an alternative to the above mentioned grants, German shipowners may be granted, to a limited extent, loans at favorable interest rates funded by returns paid to the European Recovery Program (ERP), combined with money borrowed from the capital market. Such loans may not exceed $3 million, respectively, 70 percent of the construction costs, and run for a 12 year period (of which the first two years are free of

repayment). The interest rate in the current program is 5.5 percent for the whole period. The above mentioned loans are primarily intended to assist the owners of coasters in modernizing this part of the German merchant fleet; therefore ERP funds totalling an annual $20 million have been made available over the past few years. Similar special loans from ERP funds are made available to special geographical regions and to several other industries for special purposes.

Industrial investment promotion grants

In the first half of 1975, the German Government has introduced a 7.5 percent investment promotion grant for all German investors who realized certain investments within a given period of time. Many German owners have made use of that opportunity by placing new orders, a great deal of them with foreign yards. The program ended in mid 1976.

Credit guarantees

The Coastal States of Hamburg, Bremen, Niedersachsen (Lower Saxony) and Schleswig-Holstein accord, to a limited extent, guarantees for credits for the purchase of new commercial ships built in local yards, when such credits cannot be covered by usual ship mortgages. Those credit guarantees are available to German nationals and, according to arrangements between the Coastal States, they are also available to other nationals, at least to those of the OECD and EC countries.

Export Credit Facilities

In order to reduce the cost of export credits for ships the Government of the Federal Republic of Germany has made available ERP loans and interest subsidies since 1961 to bring credit terms of ship exports approximately to the internationally prevailing level.

The reduction of the interest rate applies solely to that portion of the purchasing price for which payment is deferred. The amount of the reduction of interest rates is dependent on the current interest rates of the capital market; it must not exceed 2 percentage points.

Assistance will be given in accordance with the Understanding on Export Credits for Ships in the most recent valid version (from 1st July, 1974 onwards: minimum interest rate 8 percent, minimum down payment 30 percent, maximum maturity 7 years).

At present the 8th Shipbuilding Assistance Programme for ship exports in the period 1976 - 79 is being implemented. Transactions not financed by a shipyard or its bank are to be excluded from assistance.

Depreciation

The depreciation of ships is based on a regular useful life of 14 years for dry cargo ships, and of 12 years for tankers, reefers, special container ships, and LASH ships. The 12 year period will also be applied to dry cargo ships delivered after December 31, 1972. The ships may be written off in unchanging amounts (straight-line method) or in annually decreasing amounts (degressive method). In the latter case, the percentage of the ship's value used to calculate depreciation must not amount to more than the double percentage applicable in using the straight-line method (for ships delivered after August 31, 1977, 250 percent). Depreciation must neither exceed the acquisition value nor go below the scrap value of the vessel ($20 per GRT).

A special depreciation allowance may be called upon by German owners for new vessels, either built on demand or purchased from stock. The special depreciation allowance may be used in the first five years of the vessel's life, including the year of construction or purchase, and the cumulative amount of special depreciation was originally up to 30 percent of the acquisition costs. This special depreciation is accorded in addition to the ordinary depreciation and may only be used if the ship is being depreciated according to the straight-line method.

The special depreciation percentage was raised from 30 percent of the vessel's purchase price (1971-1974) to 40 percent for vessels constructed or purchased from 1975 to 1978. This scheme is to be extended for four additional years. After five years of the vessel's life, the remaining value is depreciated in a straight line over the rest of the vessel's useful life. Vessels for which this special depreciation is called upon may not be sold within eight years of construction or purchase.

The special depreciation on ships ordered in or after 1971 may only generate an accounting loss for the owner if not less than 30 percent of the ship's construction costs have been financed from the owner's capital funds. If this requirement is met, special depreciations are admissible, but any accounting losses resulting therefrom must not exceed 15 percent of the value of the vessel. This regulation is not applicable to ships of less than 1,600 gross tons (except tankers, seagoing tugs and special prospecting vessels). Within these rules, anticipated depreciations of up to 40 percent on down payments and progress payments for ships under construction have been permitted since 1975 (30 percent in earlier years). Special depreciation allowances called upon after delivery will be reduced by the amount of any anticipated depreciation on advance payments.

The tax advantages will be replaced by smaller depreciations in later years.

The above-mentioned provisions allow the Government to pursue a flexible investment policy.

Other Tax Benefits

Usually, any tax paid abroad is deductible from domestic tax. However, shipping companies may, at their discretion, have 80 percent of the revenues from the operation of their vessels employed in international traffic taxed at half the ordinary rate, and the remaining 20 percent at the full ordinary rate. In this case, the merchant ships have to be in the German registry and must fly the German flag.

Capital gains from the sale of vessels may be deposited in a special fund that permits the taxpayer to defer for two years the tax liability on the gain. The money thus set aside may be used toward either a new construction or a major conversion within those two years. In either case, no tax will be payable on the capital gains; however, the ship's "basic value" (i.e., the costs for the purchase as shown in the accounting books) must be reduced by the amount used out of the special fund. If a vessel has been ordered in time, but is still under construction at the end of the two year period, the tax deferral period is extended to four years. It is noteworthy that these regulations are only applicable when vessels are sold which had been owned by the selling shipping company for not less than six years.

If the capital gains have not been used for the above purpose during the mentioned period, they will be taxed.

A five year carry-forward provision for shipping losses allows for the cyclical nature of the shipping business. This particular provision is, among other things, intended to encourage owners to invest in shipping in spite of the undeniable risks connected with such a business that so much depends on the general economic climate.

A "carry-back of losses" scheme was introduced on April 21, 1976. The carry back is limited to one year and to a maximum of $2.4 million. This regulation is applicable for losses incurred in 1975 and thereafter.

In contrast to most other shipping countries, German owners are liable to pay a so-called "industrial tax" (Gewerbesteuer). However, there is the following benefit for them:

The "trading income" (i.e., net profits plus paid interests on loans) from the operation of ships used in international traffic, the "trading capital" (i.e., own capital plus loans) involved in ships operated in international traffic, and the overall amount of wages paid to personnel aboard ships employed in international traffic will be taxed at only half the ordinary rate.

All new seagoing ships are exempt from Value Added Tax.

Customs Duties

Material imported for the building of ocean-going ships is free of customs duty, irrespective of whether the ship is exported or built for a domestic owner.

Cabotage

Foreign ships are allowed in the coastal trade only if no German ship is available, or available at substantially less favorable rates and conditions than foreign ships.

Measures Against Detrimental Shipping Policies of Foreign Countries

The government can restrict conclusion of freight contracts and charters between residents of the Federal Republic of Germany and carriers which are residents of countries which exclude German ships from free competition. As regards freight contracts in liner services (general cargo with freight exceeding $400), all such contracts to be concluded with carriers which are residents of Brazil, Burma, Indonesia, Uruguay, and Venezuela must be licensed by the Wasser- and Schiffahrtsdirektionen, Bremen or Hamburg offices, which are acting on behalf of the Federal Republic of Germany.

Conclusion of freight contracts and charters between German-flag vessels and residents of the East Bloc countries (including Cuba) and South Rhodesia can also be restricted.

Agreements between resident and non-resident shipping companies require approval as far as these agreements contain provisions on the sharing of cargoes and freight moneys.

West Germany has signed an agreement with the Ivory Coast on a 40:40:20 basis as provided for in the Ivorian legislation. The agreement restricts sharing to liner trade and is designed to reestablish equitable conditions.

Port Expansion

Credits are granted to port operators to enlarge facilities. Interest is 5.5 percent; repayment period is 10-12 years.

ECONOMIC BACKGROUND

Size of Fleet: 19 vessels of 166,000 dwt. tons.

Tankers :	0% of vessels;	0% of tonnage
Bulk Carriers:	0% of vessels;	0% of tonnage
Freighters :	100% of vessels;	100% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$856.26	$965.56
commodities :	cocoa and cocoa products, gold, veneer, plywood, aluminum	machinery, transport equipment, pharmaceuticals, textiles, petroleum, crude oil
trade partners :	U.S., U.K., Japan	U.K., U.S., West Germany

GNP (1975) :	$5,860,000,000
GNP/capita (1975) :	$590

When Ghana achieved its independence in 1957 its only shipping company, the Black Star Line, was formed with 60 percent government ownership and 40 percent participation by the Zim Israel Navigation Company. Black Star Line became fully Ghanaian owned in 1967 when the Government of Ghana acquired all the Zim shares.

GOVERNMENT AIDS

Cargo Preference

All cargoes ordered by the Ghana Supply Commission, the government's purchasing organization, are handled by the Black Star Line as shipping agents. However, cargo is moved by the first available conference vessel.

Government Ownership

The Black Star Line is wholly government-owned.

ECONOMIC BACKGROUND

Size of Fleet: 1,916 vessels of 40,936,000 dwt. tons.

Tankers :	17% of vessels; 40% of tonnage
Bulk Carriers :	29% of vessels; 37% of tonnage
Freighters :	51% of vessels; 23% of tonnage
Combination Carriers:	3% of vessels; 0% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$2,501.9	$5,972.8
commodities :	tobacco, foodstuffs, fruits, minerals semi-manufactures, industrial and handicraft products	machinery, transport equipment, foodstuffs raw materials, manufactured consumer goods and fuels
trade partners :	West Germany, Italy, France, U.S., Libya, Netherlands	West Germany, Japan, Italy, U.S., France, Sweden
GNP (1975) :	$21,320,000,000	
GNP/capita (1975) :	$2,340	

The Greek-owned merchant fleet, as opposed to the Greek-flag fleet, is possibly the largest merchant fleet in the world. As of November 1975, Greek owners controlled 1,185 vessels of 19,337,107 tons under the flags of Greece, Liberia, Cyprus, Panama, Lebanon, Malta, Gibraltar, and Somalia. The Government of Greece has been making efforts to attract Greek-owned vessels to Greek registry, and there are indications that these efforts are meeting with success. In 1978, the Greek-owned fleet represented 12.5 percent of world gross tonnage, but a high average age adversely affects their competitiveness.

Hellenic shipyards at Scaramanga is Greece's largest heavy industrial unit and can handle vessels as large as 250,000 tons. Plans are in the works to expand Hellenic's capabilities to vessels of 300,000 tons.

There are three other major shipyards in Greece: Elefsis shipyards near Scaramanga; the Neorion yards on Syros; and, the Carras yard on Euboea. With only vessels for the Navy on the order of books, Greek shipyards are attempting to obtain more ship repair orders.

In 1971 Greek-flag ships carried approximately 48.2 percent of Greece's oceanborne foreign trade (50.2 percent of imports and 41.8 percent of exports)

During 1977 earnings from shipping ($1,126 million) accounted for 31 percent of Greece's invisible receipts.

GOVERNMENT AIDS

Tax Benefits[1/]

The Greek Government has introduced tax relief measures to shipping through Emergency Law No. 465 "Amending and Supplementing Certain Provisions of the Law 1880/1951 concerning Taxation of Ships".

1/ In order to attract foreign economic interests, including shipping companies which may or may not be controlled by Greek interests, for the purpose of establishing regional or home offices in Greece, the Greek Government has issued Law 378-68. A pertinent paragraph of this law states:

> "Any and all types of foreign-flag ships being managed by an agency operated or represented in any manner or form by foreign enterprises established in Greece under the provisions of Law 89/1967 and of the present law, regardless of the form of business organization under which such enterprises may be operating, shall be exempted from the payment of taxes on income, as well as from the payment of any and all charges, taxes, import duties, dues or fees, currently being levied or that might be imposed in the future with respect to income derived from business operations performed through or by such enterprises.
>
> "Shipowners or persons operating such vessels in any manner whatsoever through or by such enterprises, shall likewise be entitled to the same tax exemptions."

Law No. 465 was published July 9, 1968, became effective from January 1, 1968, and its provisions are applicable to Greek-flag "First Category" ships; that is dry cargo vessels, tankers and refrigerator ships of a total gross tonnage of 3,000 tons and over. On April 17, 1970, Legislative Decree No. 509 was enacted, extending the tax incentives of Law No. 465 to Greek-flag ocean liners and cruise ships as well as to the so-called Mediterranean cargo ships whose tonnage ranges from 500 to 3,000 gross tons. Legislation governing taxation of ships of all types was codified under Royal Decree No. 800 of December 1, 1970.

The provisions of Royal Decree No. 800 are applicable only to Greek-flag vessels owned by companies controlled by Greek interests. The law provides for two categories of vessels. Vessels of over 500 gross tons come under the "First Category" whereas all others (engine propelled vessels, sailing boats and other small sea-craft) are classified as "Second Category" vessels. The "First Category" comprises: (a) engine propelled cargo ships, tankers, and refrigerator vessels of 3,000 gross tons and over; (b) steel-built cargo ships for dry and liquid cargo as well as refrigerator ships of over 500 gross tons but not over 3,000 gross tons extending their voyages to foreign ports or navigating between foreign ports; (c) passenger ships extending their voyages to foreign ports or navigating between foreign ports; (d) passenger ships of over 500 gross tons which have exclusively carried out during the previous year, for a period of at least six months, regular pleasure cruises between domestic ports or domestic and foreign ports or foreign ports only, following public announcement of these cruises (tourist vessels).

Vessels rated over 1,500 grt and operated under the Greek-flag are exempt from Greek inheritance taxes.

1. Taxation of "First Category" Ships

Taxation of "First Category" ships is governed by the provisions of Laws No. 465/68 and 509/70 as codified by Law No. 800 which provides that the tax is calculated on a net basis and in accordance with the age of vessels, as follows:

Age of Ship	U.S. Dollar per Net Ton
Over 10 but less than 20 years	0.20
Over 20 but less than 25 years	0.30
Over 25 years	0.40

The age of a ship is calculated from January 1 of the year following the one during which the ship was delivered by the shipyard to its owner, ready for commercial operation. The net tonnage of a vessel is that shown in the registry in which the ship has been entered.

According to the provisions of Law No. 800, payment of the tax can be effected in U.S. dollars, pounds sterling or drachmas. Payment of the tax in drachmas can be made on condition that evidence is produced proving that the drachmas used have accrued from dollar or pound sterling shipping earnings that were imported into Greece.

Article 7 of the law provides that ships laid up for more than three consecutive months during the same year are entitled to proportional tax reduction.

Other provisions of Law No. 800 grant tax exemptions to: (a) ships less than 10 years old until they reach that age; (b) ships built in Greece and registered under the Greek flag until they reach 12 years of age. A five year exemption from tax is also granted to ships less than 30 years old which are transferred to the Greek flag, provided that within this five-year period they are put into service on regular lines between Greek and foreign ports or between foreign ports. Furthermore, ships less than 20 years old which have been reconstructed, converted, repaired, or fitted with new propulsion systems in Greece are exempted from the tax of Law No. 800 provided that the cost of any of the foregoing work has been met through imports of foreign exchange. Such exemption may amount to a maximum of $100,000 for each taxable year and extend over a maximum period of 10 years, starting one year after the work has been completed.

Transactions involving the sale of a vessel or part thereof, coming under the provisions of Laws No. 465/1968 and No. 509/1970, are exempted from transfer tax, stamp tax and third part taxes.

According to Article 23 of the Greek Constitution of 1968, there can be no amendment of Law No. 465/1968 but for the sole purpose of further expanding the protection accorded under its provisions.

The purpose of Laws 465/1968 and 509/1970 is to attract to the Greek flag Greek-owned vessels operating under flags of convenience and other foreign flags and to encourage the growth and renovation of the Greek merchant fleet. An important incentive introduced by these laws is that "First Category"

Greek-flag vessels are no longer taxed, as happened prior to 1968, on the gross freight earnings accruing from their operations but on the basis of their net tonnage in conjunction with their age. Under this method of calculation, shipowners now pay a flat rate of tax which is in no way related to the volume of their operations.

2. Taxation of "Second Category" Ships

Taxation of "Second Category" ships (vessels of less than 500 gross tons) is governed by Law 1880/51 as subsequently amended by Legislative Decrees 3415/55, 4094/60, and 4419/64. The provisions of the foregoing laws were also codified under Royal Decree No. 800/70.

The tax charged to "Second Category" ships is calculated on a gross ton basis and is payable in drachmas. The annual tax ranges from $3.33 up to $76.66 for vessels of up to 100 gross tons, depending on the size of each vessel. For larger vessels (101-500 gross tons) the annual tax is equal to $76.66 plus a flat rate of $1.17 charged per each gross ton over and above the 100-ton limit.

Ships laid up for more than 20 consecutive days are entitled to proportional tax reduction. A 50 percent tax reduction is extended to ships serving on regular routes between Greek and foreign ports or between foreign ports; 60 percent to passenger vessels, sailing boats and wooden vessels in general, and 75 percent to fishing boats.

Cargo vessels, tankers, and refrigerator ships which are over 10 but less than 20 years old when first registered under the Greek flag are subject to 50 percent of the tax for the first five years. The same types of vessels, as well as passenger ships, if converted or repaired in Greece, or fitted with a new propulsion system at a Greek yard before they are 20 years old and at a cost which is more than double their original purchase price, are entitled to two-thirds tax exemption over a period of 10 years after completion of this work.

In cases where vessels of over 20 years old are replaced by vessels between 10 and 15 years old and of at least two-thirds the gross tonnage of the superceded vessel, and the transaction involves, by at least 50 percent, Greek nationals or a company set up under Greek law, a two-thirds tax exemption is granted for five years provided that during this five-year period control of the vessel remains in Greek hands.

Ships built in Greece and registered under the Greek flag are exempt from payment of tax until they reach 12 years of age.

Other provisions of Law 800 grant: (a) tax exemption to ships less than 10 years old until they reach that age, and (b) a five year tax exemption to cargo ships less than 30 years old which are transferred to the Greek flag, provided that within this five-year period they are put into service on regular lines between Greek and foreign ports or between foreign ports.

Loans and Interest on Loans

Shipbuilding loans extended to shipowners by any Greek commercial bank, the Hellenic Industrial Development Bank or any foreign bank legally established in Greece, may qualify for the Greek Government guarantee. The orders involved may be for ships of any size or type. Loans may be for as much as 80 percent of the construction coast of Greek-flag ships built in Greek yards, at an annual interest rate of 7.5 percent.

The Bank of Greece is prepared to subsidize the difference between the 7.5 percent and whatever rate lending banks may themselves have to pay on the foreign currency in which such loans must be made and repaid, and will also guarantee a 2 percent profit spread on the transaction.

Loans intended for ship conversions are repayable in seven years at a maximum rate of interest of 7.5 percent per annum. Loans intended for building Mediterranean cargo ships (of up to 3,000 gross tons), coastwise cargo ships, and passenger vessels of all types are repayable in 12½ years (in equal semi-annual installments), with a grace period of 2½ years, at a maximum rate of interest of 7.8 percent per annum. Loans for ship repairs may be 80 percent financed at a current interest rate of 9.5 percent per annum.

Financing of foreign shipping companies, in which foreign nationals have majority control, for the purpose of building ships in Greek shipyards (irrespective of whether or not such ships will be registered under Greek flag) is contingent upon the approval of the Currency Committee.

Credit Facilities for the Purchase of Ships

1. Purchase of Foreign-Flag Ships

To promote the modernization of Greece's merchant fleet, the Greek Government has authorized local banks to issue letters of guarantee covering up to 50 percent of the total value of

vessels flying foreign flags which are bought in order to be subsequently registered under the Greek flag. The balance of the cost of these vessels must be provided by the purchaser himself in foreign exchange. Credits to be extended to purchasers on the basis of the bank letters of guarantee mentioned above should be repayable in no less than four years in equal annual or semi-annual installments. Vessels to be purchased under the foregoing scheme must be less than 12 years old.

In cases where the purchase of coastwise cargo ships, and coastwise passenger vessels (including passenger/ferry boat ships) flying foreign flags is involved, a scheme similar to the one outlined in the previous paragraph is applicable. Under the scheme, bank letters of guarantee may cover up to 80 percent of the total value of ships purchased, provided, however, that the total value of each vessel shall not exceed $1,000,000 and its age shall be less than 8 years. Issuance of bank letters of guarantee for the purchase of ships whose value is in excess of $1,000,000 shall be contingent upon special approval of the Currency Committee.

To qualify for the benefits extended under the above schemes, prospective purchasers of foreign-flag vessels should undertake a commitment to register such vessels under the Greek flag.

2. Purchase of Greek-Flag Ships

Local banks are authorized to extend loans for the purchase of ships flying the Greek flag provided that (a) the vessel to be purchased must be less than 15 years old; and (b) the amount of the loan must not exceed 50 percent of the value of the vessel or the maximum of $100,000 for each vessel. Loans are repayable in three years (five equal semi-annual installments) with a grace period of one year.

Loans intended to finance purchases of ships in general (Greek-flag or foreign-flag) bear a maximum interest rate of 14 percent per annum.

Loans for Working Capital

Local banks are authorized to extend short-term drachma loans to shipping companies, shipping agents, and Greek shipowning companies established in Greece. Under this scheme the following loans are granted: (a) up to $16,667 per ocean going vessel calling at Greek ports, for covering revictualling and other expenses, and (b) up to $6,667 per Greek-owned vessel operating on foreign runs, for compensating discharged seamen, making advance payments to families of crew members, and meeting transportation and other expenses of crews sent abroad to man ships. The foregoing loans are repayable in foreign exchange within 60 days.

Local banks are also authorized to discount, without supporting vouchers, 90-day promissory notes or bills of exchange involving a total amount of up to $8,333 per shipping company managing vessels under the Greek flag.

Furthermore, Greek shipowning enterprises are entitled to short-term drachma loans (three-month loans repayable in foreign exchange) amounting to a maximum of 50 percent (in the case of Mediteranean cargo ships - up to 70 percent) of total freight charges receivable within a three-month period under charter and time charter contracts involving Greek-flag ships.

All the foregoing short-term loans bear a maximum interest rate of 13 percent per annum.

Cargo Preference, Cabotage, and Bilateralism

Coastal trade is reserved to Greek-flag ships.

Greece has signed shipping agreements with the U.S.S.R., Poland, and The Peoples' Republic of China which provide for the development of bilateral relations.

An agreement has also been signed with Syria that calls for cooperation in trade, shipping, shipbuilding, and other fields.

Other

Greek seamen and workers abroad are permitted to open deposits in convertible foreign currencies with the Greek commercial banks, the Agricultural Bank, the National Mortgage Bank, and the Postal Savings Bank. The interest rates on such deposits are as follows: savings deposits 6.25 percent; time deposits 6.75-8 percent depending on the duration of the deposit; and sight deposits 3 percent. These deposits, including accrued interest, are considered as convertible currencies and not as deposits in local currency. The convertibility of such deposits is valid for the entire time of the depositor's stay abroad. As regards seamen, this privilege is extended for a further 3-year period from the date of retirement, while for workers, for 3 years after final repatriation.

This measure, which offers higher yield than corresponding deposits in local currency (savings deposits 5 percent; time deposits 5.75-7 percent and sight deposits 0.75 percent) was adopted in order to attract part of the large deposits of Greek workers and seamen abroad.

On the basis of legislation recently introduced (Article 3, Legislative Decree 1084/1971), persons of Greek descent who have established permanent residence abroad, Greeks employed abroad, and seamen serving on board oceangoing vessels are exempt from payment of transfer tax (which in other cases ranges from 11 to 13 percent) on the purchase of real property in Greece made through the importation of foreign exchange. More specifically, persons of Greek descent that have resided abroad for at least five years are entitled to the above exemption provided they purchase real property in Greece within a period of five years, at the latest, from their return from abroad. Greeks employed abroad as workers or employees should have completed at least three years of work abroad and receive their wages or salaries in foreign exchange to qualify for the above exemption. Greek seamen employed on board Greek or foreign flag vessels for at least three years and receiving their pay in foreign exchange are also eligible for this tax exemption.

INDIA

ECONOMIC BACKGROUND

Size of Fleet: 337 vessels of 8,252,000 dwt. tons

Tankers :	10% of vessels; 25% of tonnage
Bulk Carriers :	26% of vessels; 46% of tonnage
Freighters :	61% of vessels; 28% of tonnage
Combination Carriers:	3% of vessels; 1% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$5,915.5	$6,533.4
commodities :	jute, tea, iron ore, textiles, iron and steel products	grains, fertilizer petroleum, iron and steel, machinery
trade partners :	Japan, U.S., U.K., U.S.S.R., West Germany	U.S., Iran, Japan, U.K., West Germany, Saudi Arabia

GNP (1975) : $85,960,000,000
GNP/capita (1975) : $140

India has made great strides in recent years in port development, and in shipbuilding and ship operations. In addition to the large Hindustan Shipyard, the newer yard being completed at Cochin will have facilities for building ships of up to 85,000 dwt. tons. Current plans are for the fleet to maintain the pace of expansion and modernization and to reach about 8 million gross tons in 1983, and it is the government's policy that in the future 100 percent of oil imports should be carried in Indian bottoms as compared to the present 70 percent.

A container berth has been constructed in the Haldia Dock Complex and it is expected to be in operation in 1979. Container handling facilities are available at Bombay and Cochin and are planned for Madras. Heavy lift facilities are also planned for Visakhapatnam and Paradip.

To handle export of iron ore, facilities, with a rated capacity of 8,000 tons per hour, have been provided at Haldia Dock Complex, Visakhapatnam Outer Harbour and Madras Outer Harbour and are likely to be available in Mormugao shortly. Oil berths are in operation at Calcutta, Bombay, Madras, Cochin, Visakhapatnam, Mormugao, and Tuticorin.

In order to qualify for Indian registry, ship owning companies have to be registered in India under national laws and regulations and must be at least 60% owned by Indian citizens.

Indian-flag vessels carry about 42 percent of India's total oceanborne foreign trade. However, the Indian-flag share of the liner trade is about 40 to 45 percent.

Cargo Preference, Cabotage, and Bilateralism

India has agreements with Bulgaria, the Soviet Union, Poland, German Democratic Republic, and the United Arab Republic to utilize on an equal basis the shipping of either party in the carriage of mutual trade. The agreements provide for the carriage of the bilateral trade on the basis of parity in tonnage and earnings.

Coastwise trade is reserved to Indian flag ships. Arrangements have been made for carriage of petroleum products around the coast by Indian flag ships.

Shipments for government account are mainly carried on national flag ships.

Government Ownership

The two government-owned shipping lines in India, the Shipping Corporation of India (SCI) with 137 ships and the Mogul Line Ltd., having 17 vessels account for 54 percent of Indian tonnage ownership.

The Hindustan Shipyard at Visakhapatnam is owned by the government, as is a second shipyard at Cochin. The Garden Reach Workshops at Calcutta were acquired by the Ministry of Defense in 1960. This shipyard is now building cargo liners of about 26,000 dwt. tons. Mazagon Dock Ltd., Bombay, another shipyard under the Ministry of Defense, is capable of building

merchant ships up to 16,000 dwt. tons. Cochin shipyard has commenced construction of its first Panamax vessel of 75,000 dwt. tons with completion scheduled in late 1978.

Miscellaneous

In the latter part of 1966, the government decided to give relief to all industries, including shipping, with respect to plants and machinery imported on a deferred payment basis prior to devaluation (June 1966) to the extent of the increased liability caused by valuation by allowing the writing up of the capital cost of such assets. The industries will also be allowed to write up the original cost of the assets even in cases where they are sold or transferred for the purpose of computing capital gains or losses.

For every ton of new ships ordered from overseas yards, an Indian shipowner must place orders for comparable tonnage in India.

General insurance (including marine insurance) was nationalized in India in 1971. The General Insurance Corporation, and its subsidiaries, has the exclusive privilege of carrying out general insurance in India.

GOVERNMENT AIDS

Operating Subsidy or Aid

No operating subsidies are given by the government to the shipping companies. The Shipping Corporation of India which is wholly owned by the Government of India has its entire share-capital of $31.3 million subscribed by the government.

Construction Subsidy or Aid

The government owns the Hindustan Shipyard at Visakhapatnam, and the Cochin Shipyard. Subsidy is paid directly to the yard and varies according to the cost of construction of a ship. Until March 31, 1976, it was 5 percent of the international price of the ships which is fixed at the average of the valuation received from reliable foreign ship valuers in 3 or 4 leading shipbuilding countries. This assistance by the government to the shipyard will be reduced at the rate of 1 percent every two years.

Shipbuilding is also assisted to the extent of actual price differential between the indigenous price and the lowest international price of six vital items of machinery, subject :o a ceiling of 10 percent of the international price. This ›ricing policy is at present under review by the Government.

Loans and Interest on Loans

The shipping companies, both government and privately owned, obtain loans from the government and from the Shipping Development Fund for the purchase of ships at a concessional rate of interest of 4.5 percent which is below the prevailing market rates. These loans, granted both for newbuildings and secondhand ships, are in rupees. The amount of the loan is up to 95 percent of the price of new ships built in Indian shipyards, and up to 90 percent and 75 percent respectively for new ships built abroad and for secondhand ships from abroad.

The Indian Government has earmarked a sum equivalent to Rs. 500 crores ($605,327,000) in foreign exchange for financing the acquisition of ships from abroad. The amount is disbursed as loans to the shipping companies and is repayable in rupees over a 12 year period at an interest of 7½% per annum.

Depreciation

Following the withdrawal of the development rebate, a tax concession measure for 4% of the price of a vessel with effect from January 1, 1977, a scheme of initial depreciation, has been introduced which provides for the application of different rates and periods of depreciation for different classes of ships.

INDONESIA

ECONOMIC BACKGROUND

Size of Fleet: 186 vessels of 945,000 dwt. tons.

Tankers	: 11% of vessels; 14% of tonnage
Bulk Carriers	: 4% of vessels; 7% of tonnage
Freighters	: 69% of vessels; 69% of tonnage
Combination Carriers	: 16% of vessels; 10% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$) :	$8,546.4	$5,674.0
commodities :	petroleum, rubber, tin, ore, copra, coffee, sawn timber	textiles, rice, fertilizer, chemicals, machinery, petroleum products
trade partners :	Japan, U.S.	Japan, U.S., Singapore

GNP (1975)	: $29,120,000,000
GNP/capita (1975)	: $220

Inter-island shipping is of major importance to Indonesia and occupies the bulk of the Indonesian-flag merchant fleet. As of the end of 1970, some 404 ships of 390,175 dwt. tons were in the inter-island service and in 1970 these ships carried 1,790,000 metric tons of cargo.

The Indonesian government has separated ports into those admitting foreign trade, and those restricted to insular traffic. Many of the 47 ports open to foreign trade move only special cargoes such as lumber, ore and equipment related to the oil industry.

Port expansion is needed and planned for several of Indonesia's ports. The most important expansion plans are for the Port of Tandjung Priok, near Djakarta. Tandjung Priok handled 8.7 million tons of cargo in 1975.

In 1976, Indonesian flag vessels carried 22% of its dry cargo and palm oil trade, and 8% of its crude oil traffic.

GOVERNMENT AIDS

The government grants no subsidies to its maritime industries.

Cargo Preference and Bilateralism

All requests for shipping space for export of Indonesian commodities must be channeled through the Directorate of Shipping of the Directorate General of Sea Communications. This is designed to give national shipping companies priority in the transportation of Indonesian export goods.

The Minister of Sea Communications has ruled that transshipment of goods for Indonesia must be with Indonesian-owned ships using only Indonesian transshipment ports. It was also pointed out that, as soon as possible, Indonesian-owned coasters will be used for transshipments from Bangkok, Thailand, and Kompongsom, Cambodia. Licenses will be issued by the National Shipping Bureau. If national vessels are unavailable, foreign-flag ships can be licensed to carry transshipments. The government has stipulated that national flag ships carry 40 percent of all cargo moving between Indonesia and Europe.

A foreign shipping line must appoint an Indonesian Company as its agent. Foreign shipping enterprises are required to obtain the permission of the Economic Service of the Department of Sea Communications to use local currency for local expenses.

The Government of Indonesia announced on July 15, 1971, a tax on foreign shipping at a rate of 4 percent of gross revenues from sales made anywhere in the world for transport of passengers and freight within or from, but not to, Indonesia.

Indonesia allocates 45 percent of European cargoes for her own vessels.

The Indonesian Shipowners Association and the Singapore Shipowners Association have a memorandum of understanding restricting the carriage of all cargo between Singapore and Indonesia to the fleets of the two countries. This arrangement, however, does not cover the small craft moving oil supply equipment to Indonesia from Singapore.

Government Ownership

The government owns the Indonesian National Shipping Company (PELNI) the national inter-island fleet, which owns and operates more than half of Indonesian flag tonnage. It also owns Djakarta Lloyd which is the nation's international shipping line, and P.N. Pertamina, the oil enterprise.

The government also owns the Carya Putra shipyard at Tjilinljing east of Tandjung Priok.

ECONOMIC BACKGROUND

Size of Fleet: 50 vessels of 1,037,000 dwt. tons.

Tankers :	16% of vessels; 53% of tonnage
Bulk Carriers:	0% of vessels; 0% of tonnage
Freighters :	84% of vessels; 47% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$20,431	$12,887
commodities :	petroleum, carpets raw cotton, fruits and nuts, hide and leather items, ores	machinery, iron and steel products, chemicals, pharmaceuticals, electrical equipment, agricultural products
trade partners :	U.S., Japan, U.K., Netherlands, West Germany	West Germany, U.S., Japan
GNP (1975) :	$55,510,000,000	
GNP/capita (1975) :	$1,660	

Petroleum accounts for about 76 percent of Iran's export earnings[1/] and has revolutionized the country's economy. Iran now possesses the world's largest crude petroleum loading terminal at Khark Island, which can handle up to 14,786 tons per hour.

GOVERNMENT AIDS

There are no government subsidies in Iran.

Cargo Preference

Iranian Decree No. 35510 of 23 August 1976 created a bureau at the Ministry of Commerce for the purpose of planning and

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1/ Including the export of services.

programming the importation and shipment of government goods. All ministries and government enterprises and organizations, as well as government-affiliated organizations (excluding the War Ministry and the Imperial Armed Forces which are covered by their own regulations) are responsible for arranging for the shipment of their own goods, whether by sea or by air, through the Ministry of Commerce. The Ministry of Commerce arranges with the Iranian Merchant Marine for the shipment of such goods.

Government Ownership

The major shipping company, Arya Shipping Company, is a quasi-government company.

Plans for a joint oil tanker company have reportedly been offered by the Government of Iran to the Pakistani Government. This would serve as a subsidiary to the National Shipping Corporation of Pakistan in joint ownership with the Government of Iran. Besides carrying some of Iran's oil exports to other countries, the tankers of the new company are expected to lift the entire Pakistani crude oil imports of over 4.10 million tons annually.

IRAQ, REPUBLIC OF*

ECONOMIC BACKGROUND

Size of Fleet: 26 vessels of 1,195,000 dwt. tons.

Tankers :	54% of vessels;	91% of tonnage
Bulk Carriers:	0% of vessels;	0% of tonnage
Freighters :	46% of vessels;	9% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$8,296.3	$3,277.8
commodities :	oil, grain, dates, licorice root, cement	drugs, clothing, timber, steel plates and bars, machinery, motor vehicles, tea, sugar
trade partners :	France, Italy, Turkey, Japan, U.K., Yugoslavia	West Germany, Japan, France, U.K.
GNP (1975) :	$13,880,000,000	
GNP/capita (1975) :	$1,250	

GOVERNMENT AIDS

Government Ownership

The Iraq oil tanker enterprise is a division within the state-owned Iraq National Oil Company.

Dry Cargo operations are the responsibility of the Iraq Maritime Transport Company which is under the direction of the Ministry of Transportation.

Agreements

An Iraqi-Soviet agreement provides for the transport of Soviet goods exported to Iraq on Iraqi bottoms, and the assignment of Soviet crews to some Iraqi vessels.

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*Due to the lack of diplomatic relations between the United States and the Republic of Iraq, the above information has not been confirmed by Iraqi authorities.

IRELAND

ECONOMIC BACKGROUND

Size of Fleet: 17 vessels of 259,000 dwt. tons.

Tankers	18% of vessels;	3% of tonnage
Bulk Carriers	53% of vessels;	93% of tonnage
Freighters	29% of vessels;	4% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$)	$3,311.9	$4,193.6
commodities	livestock, foodstuffs, textiles, machinery, transport equipment	machinery, transport equipment, chemicals, textiles, petroleum
trade partners	U.K., U.S., France, West Germany	U.K., U.S., West Germany, France
GNP (1975)	$7,470,000,000	
GNP/capita (1975)	$2,390	

Tonnage on the Irish register has been increasing steadily over the last few years and a wide variety of scheduled services from Ireland are provided for passengers and freight. These services, which include passenger/car ferry services, roll-on/roll-off freight and lift-on/lift-off container services link Ireland with the U.K. and Europe direct, and, through agency agreements, services are provided to the U.S., Canada, Australia, and the Middle East.

The huge Gulf Oil petroleum terminal on Whiddy Island in Bantry Bay has been gaining importance as a petroleum transshipment port in Western Europe. The terminal can handle tankers of more than 350,000 dwt. tons.

It is estimated that the proportion of foreign seaborne trade carried in Irish ships is of the order of 15-20% of total.

Construction Subsidy or Aid

State subsidies are payable for ships built in Irish yards.

Shipping Finance Corporation Ltd., a subsidiary company of the Industrial Credit Company Ltd., which is a government sponsored investment bank, provides loans at low interest rates towards the cost of ships built in Irish shipyards so that credit facilities can be extended to shipowners comparable to those available in other countries. The only substantial shipbuilding yard in Ireland is Verolme Cork Dockyard (VCD) in which there is a substantial State investment by way of loans, grant contributions, and share subscriptions. In addition to its shipbuilding facilities, the yard has extensive ship repair and general engineering units. There have been two forms of State aid available for shipbuilding at VCD:

(a) credit facilities and subsidised interest for shipowners (i.e. shipping finance): and

(b) maximum loss subsidy of 7% of the contract price of a vessel

Under the shipping finance scheme, which is administered by Shipping Finance Corporation (a subsidiary of the Industrial Credit Co.), credit is provided for shipowners ordering vessels from VCD. The credit terms, which comply with OECD and EEC Regulations, are limited to 70% credit over 7 years at not less than 8% interest rate.

VCD also had the benefit of a subsidy scheme to offset losses incurred in shipbuilding. The operation of the scheme expired at the end of 1977. The limit to the subsidy was 7% of the contract price of the vessel or the loss incurred in building the vessel, after depreciation, whichever was the lesser.

Tax Benefits

Initial Allowance (which is of general application) may be claimed in respect of capital expenditure on new or second-hand ships. The rate is 100 percent for expenditure between 1 April 1971, and 31 March 1979.

"Free depreciation" is available for investment in new ships. Under this arrangement a taxpayer is allowed to write off for tax purposes up to 100% of the cost of the ship in the first year in which it is brought into use.

Profits from shipbuilding and repairs to ships, whether for foreign customers or not, may be treated for tax purposes as if they were profits from the export sale of goods manufactured in the State. Export sales relief, at the maximum, wholly exempts the profits from corporation tax for a period of fifteen years with a further five years of reducing relief until April 5, 1990.

Government Ownership

Irish Shipping Ltd. and the B & I Company (The British and Irish Steam Packet Company Ltd.) are both State-owned. At 31st May 1978, Irish Shipping Ltd., which operates mainly in the deep-sea trade on charter and tramping had 8 bulk carriers of 142,943 gross registered tons. They are also effectively the owners of the "St. Patrick" and the "St. Killian" car ferries. The two car ferries which are operated by Irish Continental Line (a subsidiary Company of Irish Shipping Ltd.,) provide a direct passenger and RO/RO freight service on the Rosslare/Le Havre and Rosslare/Cherbourg routes. On the same date, the B & I owned three car ferry vessels and a freight vessel. In addition they had two freight ships on long term lease. A new car ferry, at present under construction at Verolme Cork Dockyard, is due to come into service later this year. The B & I Company provides passenger/car services to the U.K., and unit-load RO/RO and LO/LO freight services to the U.K., Europe and through agency agreements elsewhere throughout the world.

ECONOMIC BACKGROUND

Size of Fleet: 52 vessels of 604,000 dwt. tons.

Tankers :	0% of vessels; 0% of tonnage
Bulk Carriers:	17% of vessels; 46% of tonnage
Freighters :	83% of vessels; 54% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$2,414.3	$5,738.7
commodities :	polished diamonds, citrus fruits, textiles	rough diamonds, chemicals, machinery, transport equipment, cereals
trade partners :	U.S., West Germany, U.K., Netherlands	U.S., U.K., West Germany, Netherlands

GNP (1975) :	$13,160,000,000
GNP/capita (1975) :	$3,790

Shipping is of extreme importance to Israel since almost all of Israel's foreign trade is seaborne. Shipping has become Israel's second most important foreign exchange earner, behind tourism, and is expanding at an accelerated rate. Zim Israel Navigation Company is spearheading the expansion drive with a ten-year construction program of thirty-three new vessels costing about $300,000,000.

Haifa and Ashdod have been Israel's primary ports, but Eilat and Ashkelon have gained in importance since the completion of the Eilat-Ashkelon 42" petroleum pipeline.

In 1969, Israeli-flag shipping carried approximately 50 percent of Israel's foreign trade.

GOVERNMENT AIDS

Operating Subsidy or Aid

Subsidies are in the form of direct payment by the government for the operation of passenger lines. The only two passenger ships left in the merchant marine are two passenger-car ferries, NILI and DAN, owned 50-50 by the government and Zim Lines. Since Zim is 30 percent owned by the government, the government has a 65 percent beneficial ownership. All of the losses of this operation, amounting to at least $1 million a year, are absorbed by the government.

Customs Duties

Equipment, machinery, and materials required to build Israel Shipyards, Ltd., are exempt from customs duty and indirect taxes.

Tax Concessions

Tax advantages are given to shipyards1/ at all stages of the implementation of the project and of its subsequent operation.

Cargo Preference

Requirements for the use of Israeli bottoms for carrying meat to Israel are negotiated with the exporting country.

Government Ownership

1. Zim Israel Navigation Company, the national shipping line, is owned by four partners: the Israel Corporation, owned by Jews abroad (50%), the government (30%), the Histadrut (National Labor Union) (10%), and the Jewish Agency (10%).

2. Zim Israel Navigation Company owns Petroleum Tankers, Ltd.

3. Zim Passenger Lines is a partnership of the government and Zim Israel Navigation Company, but is autonomous.

1/ These tax concessions are also available to any approved industrial and commercial enterprises.

4. The government owns Israel Shipyards, Ltd., the only yard capable of building ships of over 1,000 gross tons.

Other

1. Shipping companies and the government share 50/50 in all costs of training officers.

2. Government approval is necessary to charter foreign ships by any Israeli party. Approval is given only if domestic ships are unavailable on competitive terms or when special lift ships are required.

3. Under the Israeli Merchant Shipping (vessels) Act 1960, a ship must have at least 50 percent Israeli ownership to be registered under Israeli flag.

ECONOMIC BACKGROUND

Size of Fleet: 628 vessels of 17,432,000 dwt. tons.

Tankers	: 36% of vessels;	51% of tonnage
Bulk Carriers	: 25% of vessels;	40% of tonnage
Freighters	: 31% of vessels;	8% of tonnage
Combination Carriers	: 8% of vessels;	1% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$) :	$36,958	$43,419
commodities :	machinery, office machines, motor vehicles, textiles, footwear	petroleum, machinery, iron and steel, grai
trade partners :	West Germany, France, U.S., U.K., Switzerland	West Germany, France, U.S., U.K., Benelux, Saudi Arabia
GNP (1975) :	$156,590,000,000	
GNP/capita (1975) :	$2,810	

GOVERNMENT AIDS

Operating Subsidy or Aid

According to Law 684 of December 20, 1974, subsidies can be granted when new services or the maintenance of old ones, which are temporarily uneconomic, are specifically required by the national economy, including services between Italy and its islands.

International services are operated by ITALIA, LLOYD TREIESTINO, ADRIATICA and TIRRENIA. Local services between Italy and its islands are operated by TIRRENIA (Sardina and Sicily), and TORREMAR (Toscana Regionale Marittima), CAREMAR (Compagnia Regionale Marittima) and SIREMAR (Sicilia Regionale

Marittima) which cover the Italy/minor islands sector.

Construction Subsidy or Aid

To offset the difference between Italian construction costs and those in foreign shipyards, a series of laws have enabled the government to grant subsidies to Italian shipyards. The subsidy averaged about 15 percent when the Law of January 4, 1968 was introduced, but has been continually reduced according to the EEC timetable. According to Law No. 878 of 27 December 1973, extended to 31 December 1977 by Law No. 720 of 23 December 1975, the subsidy has been reduced to 4 percent in 1976 and 3.8 percent in 1977.

Such subsidies having ended, a new Law (25th May, 1978, No. 231) has been issued stating that a subsidy of up to 30% of the construction cost may be granted under certain conditions, for the period 1st April 1977 to 30th September 1978.

Scrap and Build

Law No. 622 of 24 July 1959, as amended, provides shipowners who scrap vessels and contract to build new units of a gross tonnage amounting to at least 50 percent of the scrapped vessels, a subsidy of 30,000 Italian lire per weight ton of the new vessel. When the gross tonnage of the new vessel exceeds 75 percent of the scrapped vessel's tonnage, the grant is limited to 75 percent of the scrapped vessel's gross tonnage. Vessels scrapped must be at least 15 years old and have been registered in Italy for at least 5 years.

Law No. 720 of 23 December 1975, has extended this subsidy, with some modifications, until 31 December 1980.

Loans and Interest on Loans

Under Law 26 of February 2, 1974, as amended by Law 25th May 1978, No. 234, shipowners may be granted loans for up to 70 percent of the cost of the construction, modernization, and repair of ships upon authorization of the competent Italian government office. The loans, repayable in 15 years, are made by the Istituto Mobiliare Italiano and other financial institutions. The interest rate (about 15.5 percent) is paid 50/50 by the Government and the shipowner or 60/40 for ships less than 3,000 g.r.t.

Tax Benefits

Tax-free replacement reserves may be formed under certain conditions from book profits resulting from the sale of a vessel.

All ships, as well as materials necessary for their construction, are exempt from the Value Added Tax.

Customs Duties

All material imported for the building of oceangoing ships is exempt from duty.

Depreciation

Straight-line depreciation is calculated on an accounting life of 10 years for passenger vessels, tankers, and dry cargo ships.

Accelerated depreciation starts with the year in which the expenditure occurred and may operate during the three following years, up to a maximum of 40 percent of the cost of the vessel, but the percentage in any one year may not exceed 15 percent of the value of the vessel.

Cargo Preference and Cabotage

Italy, in defense from cargo preference, may restrict the use of ships of countries which discriminate against Italian-flag ships. Shipments on such vessels are subject to government authorization.

The navigation code excludes all foreign-flag ships from domestic trade.

Government Ownership

FINMARE is a holding company in which the Istituto per la Ricostruzione Industriale (IRI), an Agency of the Ministry of State Holdings, owns 75 percent of the shares and the public 25 percent.

Shareholdings of FINMARE and IRI in shipping companies entitled to government subsidies are as follows:

	FINMARE	IRI
Italia	90%	10%
Lloyd Treiestino	80%	20%
Adriatica	60%	40%
Tirrenia	80%	20%

	FINMARE	TIRRENIA
Torremar	48.51%	51.49%
Caremar	48.51%	51.49%
Siremar	48.51%	51.49%

Approximately 80 percent of the shipbuilding in Italy is owned and operated by Finanziaria Cantieri Navali (FINCANTIERI), a holding company in which the Istituto per la Ricostruzione Industriale (IRI), an Agency of the Ministry of State Holdings, owns 100 percent of the stock.

In accordance with the C.I.P.E. (Comitato Interministeriale per la Programmazione Economica) recommendations of October 7, 1967, the shipyards under FINCANTIERI control were reorganized under a new entity called ITALCANTIERI which now includes the Sestri, Monfalcone, and Castellamare shipyards.

Miscellaneous

An Italian law which became effective in March 1977 makes maritime agents responsible for the social welfare, payment of salaries, and insurance coverage of all new crews employed. Maritime agents must produce guarantees from flag of convenience shipowners covering insurance and salaries before taking on new crews.

ECONOMIC BACKGROUND

Size of Fleet: 2,071 vessels of 66,648,000 dwt. tons.

Tankers	:	27% of vessels; 54% of tonnage
Bulk Carriers	:	28% of vessels; 35% of tonnage
Freighters	:	44% of vessels; 11% of tonnage
Combination Carriers	:	1% of vessels; 0% of tonnage

Foreign Trade: (1976)

		exports	imports
value (million US$)	:	$67,320	$64,891
commodities	:	transport equipment, electrical equipment, iron and steel, chemicals, textiles	iron ore, non-ferrous metals, wood, petroleu chemicals
trade partners	:	U.S., Australia, U.S.S.R, West Germany, Saudi Arabia, Iran, Indonesia	U.S. Australia, Saudi Arabia, Iran, Indonesia
GNP (1975)	:	$496,260,000,000	
GNP/capita (1975)	:	$4,450	

Since Japan is an island with poor natural resources, it has to import a large proportion of foodstuffs as well as a major part of raw materials for industrial production. Shipping and shipbuilding, therefore, are very important to the country's economy, and both the government and private firms have made an effort to encourage these industries.

Japan possesses the largest shipbuilding industry in the world. Its shipyards already have the capability to build 500,000 dwt vessels. But Japan's production is now decreasing abruptly under the internationally depressed situation of the shipbuilding industry and its share in world tonnage delivered was 43 percent in 1977.

In 1976, Japanese-flag vessels carried 44 percent of Japan's oceanborne foreign trade (46.8 percent of Japan's imports and 20.6 percent of exports.

With the projected expansion of Japanese foreign trade, there will be need for expanded port facilities, and accordingly, the Government of Japan is implementing a five-year port expansion program. Containerization is receiving special attention from ports, shipping companies, and shipyards.

GOVERNMENT AIDS

Operating & Construction Subsidies or Aids

Subsidy for Island/Mainland services in the amount of approximately 1,904 million yen was allocated for fiscal year 1976.

Scrap and Build

Japan introduced the scrap-and-build system in 1961. When a shipowner intends to scrap a superannuated home-trade cargo ship, etc., and build a new home-trade cargo ship, etc., he may be granted permission to utilize the measures by which part of the construction is financed by the Maritime Credit Corporation on condition that he share the ownership of such a ship with the Corporation. The terms of such financing are as follows:

Percentage of Financing in relation to price of ship	Interest Rate	Terms of Repayment
Not more than 70%	8.9%	7-12 years (after year grace period)

Total amount of finance in FY 1976 was 12,400 million yen.

Ship Export Credits

Export credits for ships are granted to the shipyards in the form of the combined Export-Import Bank of Japan (supported by the government) and private bank loans which cover at most 60 percent of the total ship's price.

Present conditions of loans are normally as follows:

1. EXIM Bank loans cover 55 percent of the combined loans (i.e., 33 percent of the total price). The term of an EXIM Bank loan is seven years after completion of the ship.

2. Private banks will finance the shipyard with the remainder of the combined loans (i.e., 27 percent of the total price).

Financing terms of the Export-Import Bank are decided in order that the combined loans meet the OECD "Understanding on Export Credit for Ships."

The shipyard which enjoys these credits will grant a deferred payment to the shipowners abroad on the same conditions as the combined loans; i.e., seven year term, approximately 8 percent of the interest rate, 30 percent of the price of payment by delivery.

Customs Duty

Imported ships of 100 gross tons and above are free of duty.

Loans and Interest on Loans

Through the Development Bank of Japan, the government extends loans to Japanese shipowners for the construction of oceangoing vessels.

Containerships: 5 percent of the total price will be self-financed and of the remainder, 70 percent will be covered by the Development Bank loan and 25 percent by a private bank loan. The terms of the Development Bank loan are 10 years after a 3-year grace period.

Other type ships: 20 percent of the price will be self-financed and of the remainder, 60 percent will be covered by Development Bank loan and 20 percent by a private bank loan. Terms of the Development Bank loan are 10 years after a 3-year grace period.

The shipowner's payable interest rate will be as follows:

Fiscal years of keel laying	Interest rate on DB loan	Interest rate on private loan
1975.4-1976.3	7.5-8.0%	9.2-9.9%
1976.4-1977.3	7.5%	9.2%
1977.4-1978.3	6.5-7.5%	7.6-9.2%

Before any restrictions are enforced the Minister for Transport may notify the ocean-going operators of such foreign country that he may order any counter measures unless the harmful situation ceases to exist within a period not shorter than six months.

ECONOMIC BACKGROUND

Size of Fleet: 191 vessels of 2,627,000 dwt. tons.

Tankers :	18% of vessels; 55% of tonnage
Bulk Carriers:	17% of vessels; 17% of tonnage
Freighters :	65% of vessels; 28% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$7,716.4	$8,773.4
commodities :	textiles, clothing electronic parts, vessels and parts, plywood, iron and steel products, footwear	Petroleum products, machinery, grains, wood, cotton, scrap iron
trade partners :	U.S., Japan	Japan, U.S.
GNP (1975) :	$19,850,000,000	
GNP/capita (1975) :	$560	

South Korean exports have been expanding at about 42 percent every year since 1960, when exports totaled $33,000,000. Foreign trade, both exports and imports, has been increasing at about 36 percent each year since 1967.

The South Korean government is implementing a five year shipbuilding program to expand the country's ocean-going fleet to 6.5 million d.w.t. by 1981.

During 1975, South Korean vessels carried 33 percent of Korea's oceanborne foreign trade. It is expected that Korean-flag vessels will be handling approximately 44% of the country's trade by the end of 1978.

GOVERNMENT AIDS

Operating Subsidy or Aid

See "Other Aids"

Construction Subsidy or Aid

Ships smaller than 13,000 tons cannot be bought foreign.

Tax Benefits and Customs Duty

Shipbuilding equipment and materials imported for use in shipyards are exempt from customs duty. Furthermore, no internal tax is imposed on material which is exempt from customs duty.

Loans and Interest on Loans

A loan of up to 90 percent of construction cost is provided for the building of new ships. Interest is 7.5 percent per year, with repayment in 15 years. A loan is also granted for the development of shipyards, with repayment in 10 years at an interest of 7.5 percent per year.

Cargo Preference

The government encourages the use of Korean-flag ships by awarding some government procurement contracts on an FOB rather than a CIF basis, thereby enabling these ships to compete on a more equal basis. The extent to which this policy is successful is indicated by the relatively large ratio of cargoes carried by its oceangoing merchant fleet.

Korea has trade agreements for the carriage of cargo by ship with the United States, West Germany, and Japan.

A recent Transportation Ministry decree names five commodities, now imported in foreign bottoms, which are as soon as possible to be carried in Korean-flag ships. The items are crude oil, iron ore, logs, grains, and fertilizers.

The Shipping Promotion Law enacted by the Republic of Korea on February 28, 1967, makes it mandatory for exporters and importers in that country to use Korean-flag vessels only for all their shipments.

A preferential interest rate for importing raw materials for export production is extended to cover freight costs when the imports are carried on Korean-flag ships.

Coastwise trade is reserved for Korean flag ships.

Other Aids

Law of February 28, 1967, contains the following provisions:

A. The government may extend loans to cover part of funds (in such manner as prescribed by Presidential decree) for:

1. Importation of ships

2. Improvement of ships

3. Repair of ships

4. Chartering of a ship on condition the ship will take Republic of Korea nationality.

B. The government may allow preferential treatment in giving subsidies or extending loans in case of substituting old ships for new ones when falling under items 1 and 4 above.

C. Under 1 and 4 above, loans may be extended by using such ship or ships as collateral even prior to the registrations regarding the acquisition of titles of such ship or ships.

D. The government may give "encouragement subsidies" to maritime transportation businessmen operating or utilizing Korean flag ships in international trades, which contribute towards earning or conserving foreign currencies.

E. The government shall assist and foster a maritime transportation organization whose objective is to enhance the status of and to encourage international activities of maritime transportation businessmen.

F. When a maritime transportation businessman operates his ship on regular international routes for the promotion of foreign trade and to earn foreign currency, the government may subsidize any loss he sustains, as prescribed by Presidential decree.

G. The government or any individual shall, for transport of cargo by ship, use a Korean-flag ship or ship chartered by a Korean national where available or not in violation of international agreements.

H. The government may order any maritime transportation businessman receiving subsidy or loan under applicable law to operate his ship on a specific domestic or international route for a fixed period. Any loss from this service will be compensated in a manner prescribed by Presidential decree.

I. When the ship concerned in the above item is considered too old for the promotion of public interest, the government may order the substitution or improvement of the ship, bearing loss caused by such substitution or improvement. This shall take precedence over others in the domestic construction of ships.

Miscellaneous

Companies wishing to receive government assistance are required to have a minimum tonnage of owned bottoms of 20,000 grt. and a minimum capital of 500 million won. Joint ventures with overseas interests are permitted, provided that South Korean interests are 51 percent or more and the board of directors is at least 3/5 South Korean.

In 1976 the South Korean government proclaimed that where possible, all new ships for the Korean merchant fleet would be built at the country's own yards with the government undertaking to subsidize owners and yards.

ECONOMIC BACKGROUND

<u>Size of Fleet</u>: 51 vessels of 2,322 dwt. tons.

Tankers :	20% of vessels;	71% of tonnage
Bulk Carriers:	2% of vessels;	0% of tonnage
Freighters :	78% of vessels;	29% of tonnage

<u>Foreign Trade</u>: (;976)

	exports	imports
value (million US$):	$8,256	$3,648
commodities :	petroleum	machinery and transport equipment, manufactured goods, food and live animals
trade partners :	Japan, U.K., Netherlands	Japan, U.S., West Germany, U.K.

GNP (1975) : $15,270,000,000
GNP/capita (1975) : $15,190

Kuwait possesses one of the world's largest known reserves of oil. About sixty billion barrels of oil and petroleum make up 98 percent of Kuwait's exports and provide about 95 percent of the government's revenues. Kuwait can refine up to 485,000 barrels of petroleum per day.

Kuwait's ports are geared to the petroleum industry with the port at Mina-Al-Ahamadi and the offshore Sea Island Terminal capable of handling the largest existing tankers. The most important non-petroleum port is Shuwaikh which currently can handle only 800,000 metric tons of cargo a year, but is being expanded to handle 2,000,000 metric tons. The port at Shuaiba is also being expanded.

GOVERNMENT AIDS

Loans and Interest on Loans

The government makes loans available to both of the Kuwaiti shipping companies at low rates of interest--2 to 3 percent. In August 1967, Kuwait Shipping Company received

a loan of 2.8 million to finance the purchase of three ships all of which were ordered in the Soviet Union. An additiona government loan of $9.24 million was granted in February 196

Cargo Preference

The government includes terms in crude oil sales contra which require that cargo preference be given to Kuwaiti-flag tankers or those owned in part by Kuwaiti interests.

Government Ownership

The government of Kuwait holds 75 percent of the shares of the Kuwait Shipping Company.

ECONOMIC BACKGROUND

Size of Fleet: 51 vessels of 208,000 dwt. tons.

Tankers	: 0% of vessels;	0% of tonnage
Bulk Carriers	: 8% of vessels;	5% of tonnage
Freighters	: 88% of vessels;	89% of tonnage
Combination Carriers	: 4% of vessels;	6% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$795.5	$820.4
commodities :	fruits, vegetables, textiles, light manufactures	ferrous metals, petroleum, transport equipment, electrical equipment, foodstuffs
trade partners :	Saudi Arabia, Libya	Romania, Turkey, Saudi Arabia, Iraq, France, U.S.

GNP (1974)	: $3,290,000,000
GNP/capita (1974)	: $1,070

Lebanon's major ports are Beirut and Tripoli. The Port of Beirut, which handles most of Lebanon's general cargo, is being enlarged and possesses a free trade zone that is used for transit trade to other Arab countries. The Port of Tripoli serves most importantly as a petroleum terminal for crude oil transferred by pipeline from Iraq.

To qualify for registration in Lebanon, vessels must comply with following regulations:

1. A ship must be owned 50 percent by Lebanese persons or by Lebanese Joint-Stock Company, the majority of whose directors and whose chairman must be Lebanese.

2. Vessels must be classed by an accepted classification society.

3. The charge per net registered ton for initial registration is \$1.23, plus stamp dues*, for vessels less than 5 years old; and \$0.92 plus stamp dues, for other ships.

4. The annual tonnage tax per net registered ton is \$0.16.

5. There is no charge for a provisional certificate of registry. However, the charge for a permanent certificate is \$3.19.

6. There is also an annual charge of \$47.78 for code fees.

7. Shipping companies and shipowners are exempt from payment of income tax and customs dues.

8. No minimum crew salary is imposed.

9. Presence of a ship in a Lebanese port is not compulsory for the performance of registration formalities.

10. Ships registered under Lebanese flag may at any time be sold abroad after the performance of regular export formalities of sale and transfer.

GOVERNMENT AIDS

Tax Benefits

Lebanese shipping is exempt from income tax, and Lebanese sea-going vessels are exempt from customs dues. Shipbuilding materials may be imported to the free zone without payment of duties.

New shipbuilding companies, as well as any newly formed industries, may benefit from legislation which provides for tax exemption for 5 years for companies formed which are essential for promotion of national industries.

Cargo Preference

There is no actual cargo preference, but shippers to Lebanon are required to pledge themselves not to ship the cargo on Israeli or blacklisted vessels or on vessels that call at Israeli ports.

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*Stamp dues are from ¼ to 2 percent of the value of the vessel, according to a prescribed scale.

ECONOMIC BACKGROUND

Size of Fleet: 2,623 vessels of 148,067,000 dwt. tons.

Tankers	:	38% of vessels; 69% of tonnage
Bulk Carriers	:	38% of vessels; 27% of tonnage
Freighters	:	23% of vessels; 4% of tonnage
Combination Carriers	:	1% of vessels; 0% of tonnage

Foreign Trade: (1976)

		exports	imports
value (million US$)	:	$608.9	$1,714.4
commodities	:	iron ore, rubber, wood, palm kernels, cocoa, diamonds	machinery, transport equipment, rice, petroleum
trade partners	:	West Germany, U.S., Italy, Japan	Norway, France, West Germany, Netherlands, Sweden

GNP (1975)	:	$640,000,000
GNP/capita (1975)	:	$410

The largest merchant fleet in the world operates under the Liberian flag, and these vessels play a vital role in the country's economy through their registration fees and tonnage taxes. Approximately 5-8 percent of Liberia's annual budget comes from registration fees and tonnage taxes; registration fees are equal to about 1.7 percent of Liberia's gross national product.

Although ownership by a Liberian entity is a requirement of registration, it is estimated that a small portion of the Liberian fleet is beneficially owned by Liberians. It is estimated that Greek interests own some 30-35 percent by tonnage, that United States interests own a further 30-35 percent, and Hong Kong interests own about 10-15 percent. The remainder is owned by almost every country in the world excluding communist countries.

Regulations for registering ships in Liberia are as follows:

a. No vessel is accepted unless it is classed and said class must be with one of the six Classification Societies;

b. Liberia is a Party of many International Conventions including SOLAS 1960, International Load Line (1966), International Telecommunications Conference (edition of 1968), Convention for the Prevention of Pollution of the Sea by Oil (1954), as amended, all IMCO Conventions in force, and various I.L.O. Conventions. All vessels in order to be registered must meet the requirements of the above-mentioned International Conventions and Conferences, as well as additional requirements imposed by Liberia over and above the requirements of the various Conventions and Conferences. In connection with SOLAS 1960 and Load Line (1966), Liberia has appointed six of the leading Classification Societies to act as agent for and on its behalf in the issuance of the necessary international certificates. These Societies are Lloyd's Register of Shipping, American Bureau of Shipping, Det Norske Veritas, Bureau Veritas, Germanischer Lloyd, and Nippon Kaiji;

c. By statute no vessel is eligible for registration or reregistration if said vessel is more than 20 years of age;

d. Applicants must submit proof of ownership, proof of legal existence, evidence of corporate authorization, complete various official forms, and pay the required initial registration fee of $1.20 per net registered ton and an annual tonnage tax of 10¢ per net registered ton. (These charges will not be increased during the 20 years following initial registration).

GOVERNMENT AIDS

The Act of April 18, 1961, created the Liberia Shipping Corporation (LSC) whose primary function is to finance and administer the Liberian Government's participation in shipping companies.

LSC has become a partner in two shipping companies incorporated in Liberia, the Total Involvement Shipping Company and the Providence Shipping Company. LSC owns 50 percent of the Total Involvement Shipping Company, the remainder being shared equally by Dutch and Israeli interests. This Company owns two ocean-going bulk carriers, the SAMOS GLORY, of 33,745 gross tons, and SAMOS STAR, of 18,123 gross tons. The Providence

Shipping Company is owned jointly by the Liberian Government and the Graengesburg Company of Sweden, a large stockholder in the LAMCO mine. Providence owns one ore/oil ship, the NIMBA of 44,001 gross tons.

ECONOMIC BACKGROUND

Size of Fleet: 18 vessels of 1,156,000 dwt. tons.

Tankers :	61% of vessels;	97% of tonnage
Bulk Carriers:	0% of vessels;	0% of tonnage
Freighters :	39% of vessels;	3% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$8,232.3	$4,774.9
commodities :	petroleum	capital goods (in the oil and construction industrie automobiles, farm machinery, consumer goods (including clothing and food).
trade partners :	U.S., West Germany, Italy, U.K., France	Italy, West Germany, Japan

GNP (1975) : $13,510,000,000
GNP/capita (1975) : $5,530

GOVERNMENT AIDS

Government Ownership

The Libyan government owns the General Maritime Transport Company.

Other

All Shipping activities in Libya are controlled by the General Maritime Transport Company.

ECONOMIC BACKGROUND

Size of Fleet: 36 vessels of 681,000 dwt. tons.

Tankers	: 11% of vessels; 13% of tonnage
Bulk Carriers	: 33% of vessels; 66% of tonnage
Freighters	: 50% of vessels; 20% of tonnage
Combination Carriers	: 6% of vessels; 1% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$5,296.6	$3,963.9
commodities :	rubber, tin, palm, oil, sawn timber, petroleum	machinery and transport equipment, chemicals, manufactured goods, food
trade partners :	Japan, Singapore, U.S.	Japan, U.S., Singapore
GNP (1975) :	$9,340,000,000	
GNP/capita (1975) :	$760	

Ocean shipping is vital to Malaysia due to its heavy dependence on foreign trade and the separation by water of West from East Malaysia.

One of the fastest growing of the world's new merchant fleets is that of Malaysia. In just seven years the Malaysian International Shipping Corporation has built up a modern fleet of vessels of diverse types, and plans to double the tonnage in the next few years.

In 1973 the Malaysian Government signed an agreement to establish a major shipyard at Johore Bharu on a joint venture basis with Japanese and other investors. When completed it will be one of the largest in Southeast Asia.

Malaysian-flag ships carry about 6 percent of the country's oceanborne shipping.

GOVERNMENT AIDS

Government Ownership

The government has a 51 percent interest in the Malaysian International Shipping Corporation, and a 50 percent interest in the shipyard at Johore Bharu.

Loans

Commercial loans for the 5 LNG tankers ordered in 1974 by the Malaysian International Shipping Corporation are guaranteed by the government. The first of these is scheduled for delivery in 1979.

Cargo Preference

Malay law requires all coastal trade be carried on Malaysian-flag vessels. All goods destined for East Malaysia must pass through Johore Bharu.

ECONOMIC BACKGROUND

Size of Fleet: 48 vessels of 740,000 dwt. tons.

Tankers	:	58% of vessels; 73% of tonnage
Bulk Carriers	:	6% of vessels; 8% of tonnage
Freighters	:	34% of vessels; 19% of tonnage
Combination Carriers	:	2% of vessels; 0% of tonnage

Foreign Trade: (1976)

		exports	imports
value (million US$)	:	$3,365.2	$6,035.8
commodities	:	cotton, sugar, coffee, shrimp, meat	machinery, transport equipment, chemicals electrical equipment
trade partners	:	U.S., Brazil, Japan	U.S., West Germany, Japan
GNP (1975)	:	$63,200,000,000	
GNP/capita (1975)	:	$1,150	

During 1970, Mexican-flag vessels carried 15 percent of Mexico's oceanborne foreign trade.

GOVERNMENT AIDS

Operating Subsidy or Aid

The government subsidizes the cost of vessels' fuel to the extent of 50 percent of the total fuel expenses.

Cargo Preference and Cabotage

Coastal trade and Petroleos Mexicanos (PEMEX) traffic are restricted to national flag ships when available.

A decree of April 28, 1966, grants a subsidy of 25 percent of freight rates to Mexican producers who ship their products to areas bordering on the United States, Guatemala and British Honduras. The subsidy applies to shipments by rail, ship, or national airline.

Preferential treatment in other areas is on the basis of administrative actions rather than laws. These actions have taken the following forms:

1. Approval of applications for import licences with the proviso that the goods covered by the application be imported in Mexican-flag vessels.1/

2. In some cases where the importation of a given item is restricted by allocations of quotas in currency, the cost of sea transportation is not charged against the quota when the goods are imported in Mexican-flag vessels. The effect of such a "credit" is to increase the quota of the importer who chooses to utilize the services of a Mexican-flag ship.

3. A decree of January 30, 1967, grants a 97.7 percent reduction of the export tax on cotton to cotton producers. The purpose of the decree is to encourage producers to seek foreign markets. It is stated in the decree that preferential treatment will be given to shippers who use Mexican-flag vessels or vessels chartered by a national shipping company.

4. A decree of January 18, 1963, established an export tax of 1 percent of the invoice value on bee honey if the shipment is made on a Mexican-flag ship. The tax applied on bee honey shipped on a foreign-flag vessel is 3 percent.

5. A decree effective January 1, 1966, provides the following subsidies for products intended for export: 50 percent of the railroad freight rate for manufactured products and 25 percent of the rate for semi-manufactured products or manufactured products not for end consumption. When such products are shipped by sea, the subsidy can only be given when either a Mexican-flag vessel or a foreign-flag vessel under charter to a Mexican shipping company is used.

1/ This type of administrative action seems to result only when a Mexican carrier requests that the condition be imposed.

Bilateralism

Mexico and Brazil have an agreement providing that all maritime freight between the two countries must be carried in equal shares by vessels under the flags of the two countries when available.

Mexico has signed maritime agreements with the U.S.S.R. and Bulgaria which provide for a 50/50 division of cargoes and the establishment of a Joint Consultative Commission.

Government Ownership

The government agency PEMEX owns and operates the country's largest fleet of merchant ships consisting primarily of tankers, which move all of its crude and refined products.

Transportacion Maritima Mexicana is operated as a private concern, although in 1962 the government, i.e., the Bank of Mexico, the National Bank of Foreign Commerce and the government's investment corporation Nacional Financiera, purchased 30 percent of TMM's stock. TMM does not receive either an operating or a construction subsidy. The government has guaranteed loans made by TMM for new construction and, in some cases, ships reportedly have been purchased with partial payment in commodities or fishing vessels.

Mexico's major shipyards have been nationalized, although there are a number of small private shipyards producing small vessels for the domestic fleets.

Other

There is a provision under the Mexican Export Tax scheme which applies rebates on a progressive scale to exporters if the exporter uses Mexican insurance and carriers.

ECONOMIC BACKGROUND

Size of Fleet: 30 vessels of 169,000 dwt. tons.

Tankers :	10% of vessels; 10% of tonnage
Bulk Carriers:	7% of vessels; 30% of tonnage
Freighters :	83% of vessels; 60% of tonnage

Foreign Trade: (1975)

	exports	imports
value (million US$):	$1,260.5	$2,837.4
commodities :	phosphates, agricultural goods	raw materials and semi-finished goods, food, equipment, consumer goods
trade partners :	France, West Germany, Italy	France, West Germany, U.S.
GNP (1975) :	$7,860,000,000	
GNP/capita (1975) :	$470	

GOVERNMENT AIDS

Cargo Preference

The government of Morocco requires that 40 percent of imports and 30 percent of exports must move on Moroccan vessels.

Government Ownership

The government owns the Compagnie Marocain de Navigation (COMANAV). Both COMANAV and the state-owned L'Office Cherifien de Phosfat (OCP) are involved in a joint maritime transport venture, MARPHOCEAN, with the French-firm GAZOCEAN.

ECONOMIC BACKGROUND

Size of Fleet: 463 vessels of 8,186,000 dwt. tons.

Tankers	:	17% of vessels; 57% of tonnage
Bulk Carriers	:	8% of vessels; 12% of tonnage
Freighters	:	74% of vessels; 31% of tonnage
Combination Carriers	:	1% of vessels; 0% of tonnage

Foreign Trade: (1976)

		exports	imports
value (million US$)	:	$40,025	$40,683
commodities	:	animal and vegetable products, machinery and equipment, metals, textiles, chemical products, petroleum products, non-edible raw materials	machinery and transport equipment, metals, textiles, animal and vegetable products, non-edible raw materials, petroleum products
trade partners	:	West Germany, Belgium, France, U.K., Italy, U.S.	West Germany, Belgium, U.S., France, U.K., Iran, Saudi Arabia

GNP (1975)	:	$78,550,000,000
GNP/capita (1975)	:	$5,750

Rotterdam, the Netherlands' (and the world's) foremost port, is expanding into new port areas at Maasvlakte. Europoort, part of the port of Rotterdam, is capable of handling vessels of up to 250,000 dwt. tons. Amsterdam, the Netherlands' second port, can accommodate vessels up to 80,000 tons.

About 40 percent of Dutch-owned shipping tonnage is registered under foreign flags. The Royal Netherlands Shipowners' Association attributes this fact to the absence of adequate fiscal measures in the Netherlands.

The dry dock at Rozenburg (port of Rotterdam) is able to accommodate vessels of up to 1,000,000 tons.

During 1976, Dutch-flag ships carried 3.25 percent of Dutch oceanborne foreign trade (1.81 percent of imports and 7.72 percent of exports).

GOVERNMENT AIDS

Tax Exemptions

Ships (apart from pleasure craft not used for public transport) are exempt from value added tax (VAT) as are all products and services used in their construction, fitting and repair. No VAT is levied on imported ships.

Direct Subsidies

The government repays 4.75 percent annually of the construction cost of a ship for 5 years. Shipowners have been allowed to place their orders abroad if they are unable to obtain a satisfactory deal from Dutch shipyards on the price, delivery date, and technical specifications and still receive the subsidy. The major stipulation of this subsidy system is that any ship orders must be registered in the Netherlands for six years, and they must also be crewed by Dutch seamen.

To compensate shipyards for losses suffered on new ships for the Dutch fleet, the government will bear 75 percent of the losses until mid-1978 on new orders from Dutch owners provided the vessels are manned by Dutch seamen and are registered in the Netherlands for six years. Fifty percent of the government share will be a direct subsidy and 50 percent will be interest free loans redeemable through 1980. This subsidy system is given under the proviso that there be a 30 percent cut in capacity from 1977-80 thereby eliminating 4500-6500 jobs.

Interest Subsidy

The government grants interest subsidies to Netherlands shipbuilders to enable them to furnish credits at reduced rates to both domestic and foreign customers.

In conformity with the Understanding of the Organization for Economic Cooperation and Development, the Netherlands Government grants such subsidies for credits of up to 70 percent of the cost of ships for export, for a maximum duration of seven years. The interest subsidy consists of the difference between the current market rate of interest, based on the yield of State Bonds, and the minimum net interest rate of 8 percent mentioned in the Understanding.

Only those shipyards that are prepared to rationalize their production programs in mutual cooperation and collaborate in research and cost saving activities are eligible for this aid.

Credit Guarantees

Government-guaranteed commercial loans may be given in exceptional cases to shipping companies for investment purposes. No provision is made for any facility with regard to the interest to be paid or to the period of redemption.

Customs Duty Exemption

Products imported for the construction of oceangoing ships, built for the account of Netherlands shipowners or for export, are exempt from customs duties.

Loans

After the merger of the two large yards, Rijn-Schelde and Verolme, the government continued the credit guarantees previously given to the latter.

Depreciation

From July 1972, in the case of investment in ships registered in the Netherlands (not the Netherlands Antilles) one-third of the investment may be depreciated in advance of the amount arrived at by applying the linear or reducing methods to the other two-thirds of the investment. In individual cases depreciation may follow the actual use made of a ship.

Government Ownership

The government holds a majority of the shares in the N.V. Stoomvaart Maatschappij Zeeland, a company operating a ferry service across the North Sea jointly with the British Railways. This company operates on a purely commercial basis.

Contribution to Research

The Netherlands Maritime Institute finances part of its maritime research program with government funds.

ECONOMIC BACKGROUND

Size of Fleet: 27 vessels of 180,000 dwt. tons.

Tankers :	7% of vessels; 28% of tonnage
Bulk Carriers:	37% of vessels; 19% of tonnage
Freighters :	56% of vessels; 53% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$2,797.5	$3,254.7
commodities :	meat, dairy products, wool, forest products	machinery and transport equipment basic manufactures, fuel, chemicals
trade partners :	U.K., Japan, Australia, U.S.	Australia, U.K., Japan, U.S.

GNP (1975) :	$13,130,000,000
GNP/capita (1975) :	$4,280

Approximately 12-13 percent of New Zealand oceanborne foreign trade is carried by New Zealand owned (national) shipping lines. However, the "national" New Zealand shipping line, the Shipping Corporation of New Zealand which the Government established in 1973, is becoming increasingly involved in the shipment of New Zealand's foreign trade. It is anticipated that the introduction into service of the Corporation's new 33,000 dwt container ship, the "New Zealand Pacific", in late 1978 will increase its share of the New Zealand/Europe/United Kingdom trade to approximately 16 percent.

In addition, the Corporation is involved in shipping to Japan and the Pacific Islands and is looking toward other trades e.g., North America and the U.S. Gulf trades, with a view to extending its services wherever feasible.

The containerisation of New Zealand's foreign trade in recent years has involved a substantial investment in container handling and associated facilities at New Zealand's four international container ports i.e. Wellington, Auckland, Port Chalmers and Lyttelton. In order to accommodate the rapidly escalating numbers of containers passing through these ports (approximately 160,000 handled during 1977) over $100m has been invested in container related facilities.

ECONOMIC BACKGROUND

Size of Fleet: 24 vessels of 492,000 dwt. tons.

Tankers :	4% of vessels; 55% of tonnage
Bulk Carriers:	4% of vessels; 3% of tonnage
Freighters :	92% of vessels; 42% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$10,327	$7,657
commodities :	cocoa, palm products, rubber, timber, tin	machinery and transport equipment, manufactured goods, chemicals
trade partners :	U.S., Netherlands, U.K., West Germany, France	U.K., West Germany, U.S., Japan, France

GNP (1975) : $25,600,000,000
GNP/capita (1975) : $340

The Nigerian National Shipping Lines, Ltd., was formed in 1958 by the Federal Government as part of its policy of participation in private industries of importance to the national economy. Plans are for the company to enlarge its fleet to 31 vessels by 1980.

Nigeria plans to transport up to 30% of its oil production in its own vessels. Currently it has one tanker of 270,000 dwt. capable of carrying about 2,000,000 barrels of crude oil.

About 90 percent of Nigeria's revenue is derived from oil. Nigeria supplies approximately 20 percent of total U.S. oil imports which represents 58 percent of Nigeria's total oil exports.

ECONOMIC BACKGROUND

Size of Fleet: 973 vessels of 50,312,000 dwt. tons.

Tankers	:	35% of vessels;	61% of tonnage
Bulk Carriers	:	32% of vessels;	34% of tonnage
Freighters	:	30% of vessels;	5% of tonnage
Combination Carriers	:	3% of vessels;	0% of tonnage

Foreign Trade: (1976)

		exports	imports
value (million US$)	:	$7,918	$11,108
commodities	:	Aluminum, nickel, paper, woodpulp, fishery products fertilizer, ships, machinery, petroleum products	machinery, ships, petroleum products, foodstuffs, metallic ores, iron and steel
trade partners	:	U.K., Sweden, West Germany, Denmark	Sweden, West Germany, U.K., Japan, U.S.

GNP (1975)	:	$27,110,000,000
GNP/capita (1975)	:	$6,760

Shipping is one of Norway's most important industries, providing in 1977 about 23 percent of Norway's foreign exchange earnings. About 92 percent of Norwegian tonnage is employed in third-flag or foreign-to-foreign trade, and 95 percent of the shipping receipts originate from non-Norwegian sources.

Norway possesses the fifth largest fleet in the world. Norwegian-flag vessels carried 40 percent of Norway's oceanborne foreign trade during 1971. Norway dominates the all-cargo world RO/RO fleet, with 38 vessels.

Operating Subsidy or Aid

There is no operating subsidy in the foreign trade. Tramp and cargo liner shipping in the domestic coastwise trade are given no financial aid. However, certain combination passenger/cargo liner services which provide outlying districts with adequate transport services, and which could not be provided otherwise, are granted financial assistance by the government. While most of such companies receiving subsidies are privately owned, a few are owned by groups of municipalities in the district served.

Refunds of Customs Duties

There is customs rebate of 6 percent on the sale price of new ships, and 4 percent on the cost of repairs.

Tax Benefits

There are no exclusive tax benefits for shipping.

Goods delivered by shipbuilding yards in connection with the building, repairing, and maintenance of ships are, however, exempted from general investment tax which amounts to 13 percent based on the price charged by the seller.

All ships, whether imported or not, are exempt from Value Added Tax.

Loans and Interest on Loans

Norwegian credit facilities are small in relation to the requirements of the nation's shipping and shipbuilding industries. Of the total mortgage debts of the shipping industry, about 80 percent has been financed abroad.

Shipowners - Norwegian as well as foreign - ordering ships from Nowegian yards, have generally had to arrange most of their loans themselves, often outside the country.

A mortgage institute, set up with government support, grants loans to Norwegian shipyards secured by a second mortgage on the ship. The institute finances its operations mainly through floating loans, guaranteed by the State, on

the Norwegian capital market. In accordance with an agreement between Norwegian shipyards and the government, the loans are limited to 30 percent of the building cost of the ship. The rate of interest is at present 8 percent.

Owners also have the option of taking one of the two following forms of depreciation:

I. An amount equal to one and one-half the ordinary depreciation for the year in question may be written off, commencing the year a ship is acquired and during the following four years. The accelerated depreciation of this type is, however, limited to 15 percent (1966 and earlier, 10 percent) of the price. (Thus, if 8 percent is chosen for ordinary depreciation this accelerated depreciation might be 4 + 4 + 4 + 3 percent, in which case it would stop after four years).

II. Alternatively an amount up to 25 percent of the cost may be written off as accelerated depreciation, but if this method is used, the amount cannot exceed 50 percent of "otherwise taxable income." Thus the company will have to pay income taxes on amounts at least equal to what is used for this type of depreciation. This type of accelerated depreciation may commence as soon as the first installment has been paid under a new building contract and the latest opportunity is the fourth year after the ship has been acquired, (new building completed). Both methods shorten the period of ordinary depreciation.

Capital gains arising from sale or loss of ships may be put in a special fund. This book profit has to be used within eight years (for ships and aircraft) as part finance for a new investment, and the taxes deposited or guaranteed thereon will be released when the gain has been applied to reduce the book value of the acquired ship. The gain may also be written down on existing ships or on the cost price for new building contracts.

Research

Various institutes carry out shipbuilding research and receive some public financial support. These institutes work on a task basis and are becoming less dependent on government support.

Other

In late 1975, the Norwegian government granted permission for Norwegian owners to register some of their tonnage in foreign countries under certain circumstances, e.g. manning costs too high on a particular type of vessel, or as a way to accommadate cargo preference rules of other countries.

Under Norwegian law the master and at least 2/3 of the crew of a Norwegian-flag vessel must be Norwegian.

A guarantee institute has been established to cover new loans to the owners of ships and drilling vessels. This is in order to avoid assets being sold abroad at the current low prices, due to liquidity problems. The institute works under a government guarantee, within the limit of $725 million. Up to now the institute has taken on commitments to the amount of $480 million.

In March 1977, the Nowegian government passed a legislative package of additional assistance over and above the special depreciation allowances made available to shipowners who order in domectic yards. It contains:

1) financing assistance in the form of second mortgages up to 80 percent of vessel cost with interest rates of 8.5 to 9 percent;
2) loan guarantees covering between 15 and 20 percent of the total cost (only for vessels ordered between 15 February and 31 December 1977 for delivery before 1979);
3) special loans to shipyards aimed at restructuring employment with a limit of $1.91 million per loan;
4) special funds of $38.26 million for retraining;
5) a special aid program for exports to developing countries was established with a maximum of $95.66 million to assist in obtaining $383 million worth of orders. The aids are in line with OECD guidelines concerning the financial terms of LDC programs which require at least a 25 percent gift element.

Aid for Shipyards

1. According to a decision by Parliament of April 29, 1975, the Ministry of Commerce and Shipping may issue guarantees for loans from foreign credit institutions for a total amount of $181 million. The amount has since been adjusted on three occasions, most recently by Parliamentary decision of November 25, 1977, and is now amounting to $308 million. By far the major part of the loans are short-term building loans to shipyards.

2. The Ministry of Commerce and Shipping is by Parliamentary Decision of March 29, 1977, authorized to issue guarantees for long-term loans to Norwegian shipowners for ships to be delivered from domestic yards for a total amount of $73 million. The ships had to be delivered prior to December 31, 1979. According to a decision by Parliament of June 5, 1978, the limit for these guarantees is increased to $98 million and the ships are to be delivered before the end of the year 1981. The loans are mainly granted by domestic financial institutions and are only intended to cover the top financing of the contracts.

3. Norwegian shipyards have been given the possibility to grant domestic shipowners 80 percent producer's credit over 12 years with no down payment during the first 3 years and at an interest rate of 8 percent. Such credits can only be applied for ships ordered in 1978 and 1979 and delivered not later than 2 years from the signing of contracts.

4. According to a June 5, 1978, Parliamentary decision, a 10 percent subsidy can be granted to Norwegian yards entering into building contracts with domestic shipowners between 31 May, 1978, and 31 December, 1979. The ships have to be delivered within 2 years from the signing of the contracts. A ceiling of $81 million has been established. This arrangement replaces the temporary special law providing for 25 percent reduction of income taxes for owners of vessels ordered between February 15, and December 31, 1977, for delivery before the end of 1979.

5. Since the beginning of 1977 soft term conditions have been arranged for export of ships to developing countries, comprising mainly coastal vessels for employment in domestic waters. The terms are 90 percent credit over 15 years, including a grace period of 3 years, and with interest rates about 5 or 6 percent. The conditions are in line with the OECD-understanding on export credits for ships, which requires a grant element of at least 25 percent in order to be accepted as genuine aid. The level of interest subsidies to the yards in this connection has recently been increased by $18 million to a ceiling of $177 million.

6. In connection with restructuring of shipyards, Government loans can be granted over 12 years with no interest - or down payment during the first 3 years. The loans may cover up to 40 percent of the costs involved. For the fiscal year 1978, $7 million has been granted for this purpose. This is a follow-up of a Parliamentary decision taken in 1977 granting loans, limited to $91 million, for restructuring and employment purposes.

Depreciation

Depreciation may not exceed 100 percent of the purchase price. The ordinary depreciation for (1) passenger, cargo, tankers, fruiters, ore carriers, and other ships built for special trades, of 6 to 8 percent per year, and (2) dry cargo ships in ordinary trades, of 5 to 7 percent per year, calculated on the cost of the ships and commencing from acquisition or delivery, must be used each year at the same rate. Furthermore, if the annual rate of depreciation is 6 percent, the owner is not entitled to further depreciation after 17 years even though he has not written off against gross income the total initial cost of the ship.

ECONOMIC BACKGROUND

Size of Fleet: 50 vessels of 589,000 dwt. tons.

Tankers	2% of vessels;	5% of tonnage
Bulk Carriers	4% of vessels;	5% of tonnage
Freighters	80% of vessels;	80% of tonnage
Combination Carriers	14% of vessels;	10% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$)	$1,143.1	$2,213.2
commodities	jute, cotton, leather, tea, fish	machinery, transport equipment, iron and steel, chemicals, petroleum
trade partners	Japan, Hong Kong, Saudi Arabia, Iraq	U.S., Japan, U.K., West Germany
GNP (1975)	$11,270,000,000	
GNP/capita (1975)	$160	

Pakistan's merchant fleet was nationalized on January 1, 1974.

The major shipping company is the National Shipping Corporation which specializes in liner services, while nine smaller companies, which have been merged to form the Pakistan Shipping Corporation, concentrate on the pilgrim-passenger services and dry cargo tramp operations. Under the 1975-80 plan period, the government expects to arrange funds to acquire 19 vessels of various types.

In 1977 approximately 10% of Pakistan's trade was carried on Pakistani-flag vessels.

GOVERNMENT AIDS

Construction Subsidy or Aid

The government grants a construction differential subsidy of up to 40 percent of building cost for ships built by the Karachi Shipyard and Engineering Works (KSEW).

Tax Benefits

Fuel oil and lubricants for coastal shipping are exempt from customs duty and sales tax.

Loans and Interest on Loans

Under the current development plan, the government will finance the purchase of ships and will be repaid by shipping companies under a special "pay-as-you-earn" scheme.

Foreign loans and credits at suitable rates of interest are arranged by the government and allocated to the companies for purchase of ships.

Cargo Preference and Cabotage

All official and semi-official agencies (except those importing goods under United States Agency for International Development Programs) purchase marine insurance from such Pakistani companies as have joined the national co-insurance scheme administered by the Pakistan Insurance Corporation.

Coastal shipping is restricted to Pakistani-flag ships when available.

Half of U.S. and World Bank aid is reserved to national flag ships.

Cargo preference is practiced among participants in international shipping conferences which reserve a portion of the conference trade to Pakistani ships.

In late 1977, the Government of Pakistan announced that it would henceforth allocate most of the cargo it controls to either the National Shipping Corporation or the Pakistan Shipping Corporation. A government department will be created to coordinate cargo liftings for the two companies.

Government Ownership

The National Shipping Corporation was established by the government in September 1963 with 25 percent share capital in the public sector and the balance of 75 percent in the private sector, but was nationalized in 1974, as was the Pakistan Shipping Corporation (a merger of 9 smaller companies).

The Karachi Shipyard and Engineering Works Ltd., the only national shipbuilding yard, is run on commercial lines and is controlled by a semi-autonomous body, the West Pakistan Industrial Development Corporation.

Other

Shipping companies are granted a 30 percent bonus on foreign exchange turned into the government for rupees.

ECONOMIC BACKGROUND

Size of Fleet: 1,645 vessels of 24,635,000 dwt. tons.

Tankers	: 14% of vessels; 44% of tonnage
Bulk Carriers	: 16% of vessels; 22% of tonnage
Freighters	: 68% of vessels; 33% of tonnage
Combination Carriers	: 2% of vessels; 1% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$285.78	$1,774.22
commodities :	bananas, shrimp, petroleum products, cocoa, sugar	machinery transport equipment, chemicals, paper, textiles
trade partners :	U.S.	Japan, U.S., Ecuador

GNP (1975)	: $2,150,000,000
GNP/capita (1975)	: $1,290

Panama's merchant fleet is almost entirely foreign-owned. It is estimated that United States interests own 51 percent of the tonnage and that most of the remainder is owned by Greek, Hong Kong, Italian, and Japanese interests.

Ships may be registered in Panama subject to the following:

1. There is an initial registration fee of $1 per net ton plus other minor fees such as provisional permit of navigation of $20 and a permanent permit of navigation of $25. There is an annual tax of 10¢ per net ton and a single annual appraisement, levied on gross tonnage as follows:

1 to 1,000 gross tons	$ 720 per year
1,000 to 5,000 gross tons	$1,200 per year
5,000 and over gross tons	$1,800 per year

2. There are no provisions as to the qualifications of the crew except that they must be 18 years of age or over. Officers do not have to be Panamanian citizens, but at least 10 percent of the total crew must be of Panamanian nationality if available at the port at which they are signed on.

3. The Government of Panama does not require the shipping companies to withhold income tax from member's salaries, provided that the services are not rendered while the ship is on coastal trade or performing work in the navigable waters of the Republic of Panama (this does not include the crossing of the Panama Canal).

4. Article 708 of the Fiscal Code of Panama exempts from payment of taxes "income obtained from international shipping by national merchant vessels legally registered in Panama, even though the contracts are entered in the country."

5. Vessels accepted for registration in Panama must pass safety inspection in accordance with the 1960 Safety of Life at Sea Agreement (SOLAS). Panama retains the services for the periodical inspections of LLOYD'S REGISTER OF SHIPPING, AMERICAN BUREAU OF SHIPPING, BUREAU VERITAS, DET NORSKE VERITAS, GERMANISHER LLOYD, etc.

GOVERNMENT AIDS

Cabotage

While there is no restriction to the operation of foreign ships in Panama's territorial waters, coastal shipping is restricted to Panamanian-flag ships.

However, Cabinet Decree No. 15 of January 27, 1972, provides that foreign vessels that dock at ports which are not government approved or operated or that carry out commercial activities in the navigable waters of the Republic, may obtain from the General Directorate of Shipping and Consular Affairs a permit allowing them to take part in coastal shipping, provided there has been a previous designation of fiscal agents and payment of a tax which will not exceed US $150 per trip or operation.

A fishing license is required for all vessels fishing for commercial purposes in the navigable waters of the Republic of Panama. Failure to obtain the license will result in a fine of from ten thousand dollars to a hundred thousand dollars.

ECONOMIC BACKGROUND

Size of Fleet: 42 vessels of 593,000 dwt. tons.

Tankers :	12% of vessels; 13% of tonnage
Bulk Carriers:	24% of vessels; 43% of tonnage
Freighters :	64% of vessels; 44% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$1,495.8	$1,982.3
commodities :	copper, sugar, fish meal, lead, coffee	machinery, cereals, chemicals, pharmaceuticals, petroleum products
trade partners :	U.S., Japan, U.S.S.R.	U.S., Japan, West Germany
GNP (1975) :	$11,670,000,000	
GNP/capita (1975) :	$760	

Ocean transportation is of particular importance to Peru because of the country's 1,250 mile coastline and poor land access to neighboring markets. Approximately 98 percent of Peru's foreign trade moves by sea.

Peru's most important shipping firms are Consorcio Naviera Peruana S.A. (CNP) and the state-owned Corporacion Peruana de Vapores (CPV), which control most of Peru's ocean-going tonnage.

In order to expand and rejuvinate the merchant fleet, CPV plans the acquistion of 22 new buildings, i.e. nine units (230,000 tons) for the transport of metal; two vessels of 25,000 tons each for the carriage of bulk cargoes, and 11 freighters of from 5,000 tons to 14,000 tons.

GOVERNMENT AIDS

Operating Subsidy or Aid

Corporacion Peruana de Vapores (CPV) receives a subsidy from government revenues derived from part of the 4 percent tax on export and import freights.

Construction Subsidy or Aid

The Law of January 9, 1962, authorized the establishment of a naval construction industry providing for 51 percent government participation. The cost is provided by revenue from export and import taxes. After the government has fulfilled its obligation to this industry, the remainder of the money goes to CPV for the purchase of ships, or their construction in Peru.

By Ministerial Resolution of June 12, 1972, no more purchases are allowed in Peru of foreign vessels similar to those built in Peruvian shipyards until the Naval Industry Commission, formed earlier in the same month, presents its recommendations to the government on the development of the naval industry.

All Peruvian-flag vessels must be repaired only by Peruvian shipyards, unless the owners can show that the national shipyards do not have the capacity for a specific job. Repairs abroad may be made only in case of emergency.

Taxation

CPV is exempt from all taxes.

Loans and Interest on Loans

The Law of January 9, 1962, also authorizes the Industrial Bank of Peru to grant credits, guaranteed by the government, of no less than 80 percent of the cost of the construction of ships. The interest shall not exceed that charged by the official financial institution of the countries participating in the transactions and in no case to exceed 7 percent per annum on outstanding balances.

Coastal shipping is reserved to Peruvian-flag ships.

Under Decree Law No. 20759 of October 15, 1974, all public bodies are to give preference to the transportation of import and export cargoes to vessels belonging to CPV. Also, these organizations will contract through CPV the transportation of cargoes which CPV vessels cannot carry.

A Peruvian Government decree established that up to 50 percent of Peruvian exports and imports (calculated on a monthly basis) must be reserved for Peruvian shipping lines. In practice this started at 30 percent and permitted a periodic increase to bring it up to 50 percent, to which it was raised by Decree of June 2, 1970.

Supreme Decree, effective March 26, 1976, guarantees that Compania Peruana de Vapores, the State flag line, shall receive preference in the carriage of all government cargoes, whether national or local.

Decree 22067 of January 11, 1978, obliges public sector entities to contract Peruvian-flag shipping lines for the maritime transportation of non-conference articles for import or export.

Decree dated December 30, 1969, stipulates that cargoes enjoying import duty exemption should be carried with priority in (a) Peruvian-flag vessels; (b) foreign-flag vessels chartered to Peruvian companies; (c) in foreign-flag vessels associated with Peruvian companies.

Drydocking fees are five cents per ton for Peruvian ships and 15 cents per ton for foreign ships.

The Law of February 8, 1957, provides that national-flag ships shall pay 50 percent of the regularly prescribed fee only for ship clearances, but regular fees for certification of consular invoices and bills of lading. The prescribed fee amounts to $80 for vessels of over 5,000 registered tons and must be paid at each port of call in transit to Peru whether or not cargo for Peru is taken on at the intermediate ports. This law has been implemented.

Peruvian-flag ships pay about 40 percent less than foreign-flag ships in Callao and 50 percent less in other ports for mooring and unmooring.

Wharf demurrage, as well as charges for vessels docking solely for repairs, fueling, or other services, is less for Peruvian-flag vessels than for foreign-flag vessels.

Peru has agreements with Brazil and Argentina whereby the parties to the agreement have a right on equal terms to transport the cargoes and share the freight receipts derived from their bilateral trade.

Government Ownership

CPV is government-owned.

The Naval shipyards (Sima) have been converted into a State-owned company.

ECONOMIC BACKGROUND

Size of Fleet: 157 vessels of 1,381,000 dwt. tons.

Tankers	:	18% of vessels; 39% of tonnage
Bulk Carriers	:	5% of vessels; 14% of tonnage
Freighters	:	63% of vessels; 44% of tonnage
Combination Carriers	:	14% of vessels; 3% of tonnage

Foreign Trade: (1976)

		exports	imports
value (million US$)	:	$2,574.3	$3,951.8
commodities	:	copra, wood, sugar, copper concentrate, coconut oil	machinery, transport equipment, petroleum products, metals, cereals
trade partners	:	U.S., Japan, Netherlands	Japan, U.S., Saudi Arabia, Kuwait
GNP (1975)	:	$15,930,000,000	
GNP/capita (1975)	:	$380	

Shipping is of major interest in the Philippines, with more than 350 ports spread through 7,100 islands. There is extensive inter-island shipping and growing participation in international shipping. Philippine-flag vessels carried 22 percent of Philippine foreign trade in 1970 (24.3 percent of imports and 19.4 percent of exports).

In 1975 the Maritime Industry Authority (MARINA) was established to coordinate activity in the field of maritime development. It gives special attention to the expansion of the merchant fleet, focusing on the early replacement of obsolete and uneconomic vessels, and the raising of domestic capability for shipbuilding and repair.

It has been reported that the Philippine government plans to invest over $1 billion in shipbuilding over the next 10 years.

Loans and Interest on Loans

The Philippine Overseas Shipping Act of 1955 provides government-financed, low interest loans for the purchase of vessels, and a tax incentive in the form of 10 years' tax exemption from income derived from shipping (provided the firm is engaged exclusively in overseas shipping, and that all net profits are reinvested in the business if any part of its capital was borrowed by virtue of the Act).

Under the Reparation Goods Program, shipowners may obtain ships under a scheme which grants 11-year loans of up to 100 percent of value, at 3 percent interest and a 3-year grace period.

To alleviate the problems of the inter-island fleet, the Development Bank of the Philippines, under a revised lending program, can now give loans for rehabilitating and replacing vessels. Under the new scheme, loans will be extended to shipping firms for rehabilitation or conversion of seaworthy bottoms and for the acquisition of new or used vessels to replace aging craft. Financing for the acquisition of a used vessel can be secured from DBP provided that it is not more than 12 years old; the age limit for rehabilitation or conversion loans is 16 years. Repayment of the loans will take place over 20 years and five years respectively; the loan repayment period where a new vessel is involved will be 16 years. For all loans a 12 percent interest rate applies. Financing will require that a mortgage be made on real estate and on the vessels for which the loan is intended. Brand new vessels qualify for a loan valued at 80 percent of its appraised value, falling to 60 percent for used vessels up to 12 years old and to 40 percent for used vessels 12-16 years old.

Customs Duties

Machinery, equipment, raw materials, and spare parts for ship construction and repair are exempt from import duties and taxes.

Tax Incentives

Incentives offered to promote an ocean-going tonnage build-up include an exemption from corporation tax until 1985, exemption from 10 percent tariff duty and 7 percent compensating tax as well as 50 percent margin deposit requirements on importation of vessels used in the foreign trade.

Cargo Preference and Government Incentives

Under a Philippine licensing regulation, import licenses will be issued for government cargo only when such import is to be transported on Philippine-flag ships. However, import licenses may be issued if no Philippine-flag vessel is available at the port of shipment. In actual practice, considerable shipments go to foreign liners due to the unavailability of Philippine ships.

Presidential Order No. 37 provides that all purchases of Philippine imports be made on an f.o.b. basis, that all freight payments be made in pesos in the Philippines, and that preference on the carriage of imports be given to Philippine-flag vessels.

Presidential Decree 806 of October 3, 1975, states that the government will take all steps necessary, including the provision of direct incentives to Philippine-flag vessels and national shipping lines, to enable them to carry a substantial and increasing share of the cargo generated by Philippine foreign trade. It also states that Philippine-flag vessels and those which are owned, controlled, or chartered by Philippine nationals shall carry at least an equal share of cargo as that carried by vessels of another country in trade between the two countries.

Exporters will be able to deduct from their taxable incomes an amount equivalent to 150 percent of overseas freight expenses and charges in Philippine ports incurred in shipping export products, provided they use Philippine-flag carriers. Enterprises registered with the Board of Investments will also be allowed to deduct from their taxable income, 200 percent of shipment costs incurred in the transport of their products and raw materials to and from foreign ports, provided the shipments are on Philippine vessels.

Presidential Decree No. 894 of February 26, 1976, requires government offices, agencies, instrumentalities and government-owned or controlled corporations, as well as persons and entities enjoying tax exemptions, incentives or subsidy from the government, to utilize the services of Filipino registered vessels to transport their goods to and from the Philippines.

On June 11, 1978, Presidential Decree No. 1466 was signed. This decree amends P.D. No. 894 by providing that only cargoes financed or guaranteed by the Government of the Philippines or its financial institutions have to be transported in Philippine-flag vessels.

All imports of United States agricultural commodities under Section 402, of the United States Government's Mutual Security Act, and United States Public Law 480 which are in excess of the 50 percent required to be carried on U.S.-flag ships must be shipped in Philippine vessels when available.

Preferential treatment must be given to reparations vessels for the carriage of reparations goods. This ruling covers only the Philippine-Japan route and there are only 12 reparations ships.

Domestic shipping is limited to Philippine-owned shipping companies.

Government Ownership

The government-owned Philippine National Lines, which is operated by the National Development Company, was established by Presidential Decree No. 900 in March, 1976. However, the ships of this company are under charter to private shipping companies with a commitment to purchase.

The National Shipyard Corporation and one small shipyard are owned by the government.

ECONOMIC BACKGROUND

Size of Fleet: 104 vessels of 1,635,000 dwt. tons.

Tankers	:	22% of vessels; 64% of tonnage
Bulk Carriers	:	6% of vessels; 7% of tonnage
Freighters	:	63% of vessels; 26% of tonnage
Combination Carriers	:	9% of vessels; 3% of tonnage

Foreign Trade: (1976)

	exports	imports
value (million US$):	$2,277	$4,496
commodities :	cork, wine, textiles, chemical pulp	machinery, petroleum products, cotton, steel, motor vehicles
trade partners :	U.K., West Germany, France, Sweden, U.S.	West Germany, U.S., France, Italy
GNP (1975) :	$15,060,000,000	
GNP/capita (1975) :	$1,570	

Ninety-three percent of Portugal's foreign trade moves by sea. Portuguese-flag vessels carried 40 percent of this trade in 1976.

At the end of 1977, there were two vessels of 320,000 dwt. tons that had been ordered for purchase.

GOVERNMENT AIDS

Operating Subsidy or Aid

A February 14, 1975, Resolution of the Council of Ministers granted the Companhia Portuguesa de Transportes Maritimas (CTM) $4,444,000. On June 2, 1976, the Council of Ministers granted SOPONATE $14,440,000.

A moratorium on all debts of CTM, the Companhia Nacional de Navegacao (CNN) and Sofomar, plus a line of credit to cover their needs until the end of 1976 were granted by a July 7, 1976 resolution of the Council of Ministers.

Law-Decree 770/76 of 25 October, 1976, authorized the Department of State for the Merchant Marine to extend non-collectable grants to Mutualista Acoreana, SARL, Empresa de Transportes do Funchal, Lda. and Empresa de Navegacao Madeirense on a one-time basis. These grants were intended to compensate for additional duties resulting from the extension of the scope of the Collective Work Contract of Sea Personnel.

Loans

The Renovating Fund of the Merchant Marine was created in 1946 with the objective to finance the renovation of the National Merchant Marine by granting credit to shipowners registered with the General Directorate of the Merchant Navy. Since 1973 the Fund has granted loans of $11,677,000 and non-collectible grants of $5,961,000.

Cargo Preference, Cabotage, and Bilateralism

Cargo traffic between national ports is, in principle, reserved to Portuguese ships.

Without prejudice to bilateral agreements, all cargoes shipped to military or scientific bases, existing or to be established in Portuguese territory, are to be carried by Portuguese ships, unless Portuguese vessels cannot handle the cargo.

The maritime transport companies of Portugal and the U.S.S.R. are entitled to equal shares in the carriage of merchandise in the bilateral trade between their ports. The provisions of this agreement, however, shall not affect the right of vessels of other countries to participate in trade between the ports of the contracting parties.

All cargoes shipped by public sector entities must be carried on Portuguese flag ships or on foreign flag vessels chartered by Portuguese shipowners, except in the case of reciprocal or international agreements providing for other arrangements. Up to 50 percent of such cargoes can be carried on ships of the importing or exporting country, if the laws of that country concede equal treatment to Portuguese vessels.

Government Ownership

By Decree Laws 205-C/75 and 205-D/75 of 16 April 1975 the Companhia Nacional de Navegaco and the Companhia Portuguesa de Transporte Maritimos were respectively nationalized. The same Law Decree nationalized the shares of Sociedade Portuguesa de Navios Tanques, Lda. Soponata.

Resolution No. 153/77 of May 5, 1977, called for the creation of NAVIS - Navegacas de Portugal to function as a coordinator and supervisor of public business management of those firms already established in the field of sea navigation without prejudice to the autonomy and legal individuality of the latter. Law Decree of November 16, 1977, established NAVIS.